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# China Report

ECONOMIC AFFAIRS

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22 JULY 1986

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PROVINCIAL AFFAIRS

HEILONGJIANG GOVERNOR'S REPORT ON SEVENTH 5-YEAR PLAN

SK190000 Harbin HEILONGJIANG RIBAO in Chinese 31 May 86 pp 1-3

[Report on the Seventh 5-Year Plan of Heilongjiang Province given by Governor Mou Jie at the Fourth Session of the Sixth Heilongjiang Provincial People's Congress on 20 May: "Persist in Reform, Work Realistically, and Strive To Realize Our Province's Seventh 5-Year Plan"]

[Text] Fellow deputies:

The formulation of the province's Seventh 5-Year Plan for economic and social development (draft) began in the beginning of 1984. Based on investigation and study and through summing up experiences and discussions with various localities and departments on several occasions, we finally formulated this plan in line with the requirements of the Seventh 5-Year Plan of the state and the actual situation of the province. Now, I submit a report on some major points to the session for discussion on behalf of the provincial people's government.

I. The Fulfillment of the Major Targets of the Province's Sixth 5-Year Plan Created Good Conditions for the Implementation of the Seventh 5-Year Plan

During the Sixth 5-Year Plan period, the people of various nationalities throughout the province conscientiously implemented the line, principles, and policies defined since the 3d Plenary Session of the 11th CPC Central Committee under the leadership of the CPC Central Committee, the State Council, and the provincial CPC Committee, brought order out of chaos politically, eliminated the leftist influence, succeeded in changing the major points of our work, and consolidated and developed a political situation of stability and unity. In the economic field, we conscientiously implemented the policy of readjustment, reform, consolidation, and upgrading, and the policy of invigorating the domestic economy and opening to the outside world, carried out economic structural reform in a planned and step-by-step manner, developed the economy in a sustained, steady, and coordinated manner, and scored new achievements on various fronts.

The economy developed in a comparatively proper way and the fulfillment of the major economic targets was relatively good.

During the Sixth 5-Year Plan period, our province prefulfilled the planned targets for the total product of society, the total industrial and agricultural output value, and the national income by 1 year. In 1985, the total product of society was valued at 56.1 billion yuan, an average annual increase of 7.4 percent for the past 5 years; the total industrial and agricultural output was valued at 46.8 billion yuan, an average annual increase of 6.8 percent; and the national income came to 28.8 billion yuan, an average annual increase of 6.2 percent if calculated in terms of comparable prices. The economy as a whole developed steadily and was marching toward a benign cycle.

Changes took place in the rural production setups and agriculture, forestry, animal husbandry, sideline occupations, and fisheries comprehensively developed. During the Sixth 5-Year Plan period, thanks to our conscientious implementation of the party's various rural policies, and the comprehensive popularization of the family-based output related responsibility contract system, we succeeded in greatly boosting the enthusiasm of the broad masses of peasants and promoting the development of the rural commodity economy. In 1985, the total agricultural output value (including the village-run industry) came to 11.64 billion yuan, an average annual increase of 4.6 percent in the past 5 years. We ended the situation in which the province's grain production remained stagnant for a long time. In 2 successive years from 1983 to 1984, grain output topped 30 billion jin, an average annual increase of 28.4 billion jin in the past 5 years, showing an increase of 0.8 percent over the Fifth 5-Year Plan period. Marked changes took place in the rural production setups, and the proportion of output value of forestry, animal husbandry, sideline occupations and fisheries to the total agricultural output value of the rural industry, communications and transport, and the building and commercial industries to the total product of the rural society rose from 15.8 percent in 1980 to 29.2 percent.

Industrial production continued to increase steadily and economic benefits showed marked improvements. During the Sixth 5-Year Plan period, we persisted in mainly tapping the internal potential of industry while expanding production, improving production setups and product structure, and improving the quality of products. In 1985, the rate of good-quality industrial products rose to 20 percent from 12.9 percent in 1982. The total provincial industrial output value was 35.16 billion yuan, a 43.9-percent increase over 1980, showing an average annual increase of 7.5 percent, and surpassing the target set by the Sixth 5-Year Plan which was 5 percent. Since 1983, the province has effected simultaneous increases in industrial output value, income from sales, and profits and taxes for 3 years running.

Construction of key projects was strengthened, and economic strength was stepped up. During the Sixth 5-Year Plan period, investment in fixed assets by the state-owned units in the province totaled 32 billion yuan, and the investment in capital construction totaled 17.6 billion yuan, an increase of 7.4 billion yuan, or 73 percent over that during the Fifth 5-Year Plan period. The added production capacity was 6.66 million tons of coal, 1.24 million kw of electricity, 107 km of railways, 179 km of double-tracked railways, 1.29 million tons of cement, 160,000 tons of sugar, 10,800 spindles of woolen fiber, 15,400 tons of chemical fiber, 77,000 tons of paper, and 17,000 tons of milk powder. Investment in renewal and renovation projects was 6.5 billion yuan, and more than 5,700 technical transformation projects were completed. The Daqing 300,000-ton ethylene project, the No 3 Harbin Power Plant, and the Songhua Jiang highway bridge, which were under construction during the Sixth 5-Year Plan period, may all be completed and put into production on schedule. All these projects have added reserve strength to the province's economic development.

Various forms of economic operation developed simultaneously, and circulation channels were further improved. During the Sixth 5-Year Plan period, on the premise of regarding the state-run economy as predominant, the province developed the urban and rural collective- and individual-run sectors of the economy in a relatively rapid manner, and initially formed a circulation system with diversified economic forms, various circulation channels, and diversified operational forms. The urban and rural markets were thriving, and purchases and marketing were brisk. In 1985, the total retail sales amounted to 17.26 billion yuan, an 83.4-percent increase over 1980. Of this, the proportion of retail sales by collective-run commercial shops rose from 26.5 percent in 1980 to 28.3 percent; and that by individual-run commercial shops rose from 0.4 percent to 8.2 percent.

Foreign trade was further expanded, and new progress was made in economic and technological cooperation. During the Sixth 5-Year Plan period, a new situation emerged in foreign trade and in economic and technological cooperation. In this period, the total export volume by foreign trade departments amounted to \$1.57 billion, showing an average annual increase of 31.2 percent. Since 1983 when the province restored border trade with the Far East area of the Soviet Union, the accumulated export volume amounted to 76.38 million Swiss francs. During the Sixth 5-Year Plan period, the province signed 43 contracts on economic and technological cooperation with foreign countries and traders in Hong Kong and Macao. At the same time, the province vigorously organized lateral economic ties with other provinces. The province has already signed 3,759 agreements on economic and technological cooperation with 27 provinces, municipalities, and autonomous regions, imported 670 million yuan of funds, transferred 529 scientific and technological research findings, and organized 650 economic associations, thus instilling new vitality to the province's economy. The work regarding foreign affairs and the tourist trade were strengthened and developed, and the non-trade foreign exchange income increased somewhat. Thus far, the province has established friendly ties with the United States, Canada, and Japan, and with four provinces (autonomous prefectures and counties) and seven cities, thus strengthening the friendship and cooperation with them and playing a certain role in developing the province's economy.

The financial situation improved gradually and a balance in revenue and expenditure was witnessed. During the Sixth 5-Year Plan period, thanks to the adoption of measures on increasing revenue and reducing expenditure, and strictly managing finance and credit, and to the implementation of the financial contract system in particular, we succeeded in mobilizing the enthusiasm of the various government organs at all levels, and the various departments and enterprises in making, accumulating, and managing money. Since 1982, the local revenue in the past 5 years came to 11.87 billion yuan, an average annual increase of 9.3 percent. Together with special subsidies from the state, and deducting the portion handed over to the higher authorities, the province's available financial resources came to 16.65 billion yuan, and the total financial expenditure came to 16.5 billion yuan. Offsetting the expenditure from the revenue, we succeeded in balancing the revenue and expenditure with a small surplus. In the past 5 years, our province promoted the sales of state treasury bonds worth some 940 million yuan, and collected some 620 million yuan for key energy and transport projects to support state construction. In order to meet the needs of reform, opening to the outside world, and invigorating the economy, financial and banking departments at all levels adopted various effective measures, displayed the role of the economic lever, and promoted the development of production.

Comparatively big progress was made in various undertakings, including science, technology, education, culture, and public health. During the Sixth 5-Year Plan period, funds for scientific and technological undertakings and investment in capital construction increased annually. Their proportions to the financial expenditure and the total investment in capital construction rose annually. In 1985, funds for scientific, technological, and educational undertakings increased 88.5 percent over 1980, accounting for 13.6 percent of the total financial expenditure. In the past 5 years, we turned out 8,317 scientific research findings, of which 292 items attained or approached the world advanced level and 2,276 items attained the domestic advanced level. In 1985, the province as a whole had 40 institutions of higher learning, an increase of 12 over 1980. The regular higher educational schools enrolled 25,000 students, doubling that of 1980. Nearly 60,000 students graduated from colleges in the past 5 years. There were a total of 138 higher educational schools for adults with a total enrollment of some 125,000 students. The school attendance rate of school-aged children reached 90 percent. There were nearly 400 vocational technical schools in the urban and rural areas with a student body of 141,000. The reform of the rural educational structure progressed rapidly and the conditions for running primary and middle schools in the rural areas improved. We strengthened the preschool education and special education. Remarkable achievements were scored in the experimental reform on the language course of primary schools, enabling students to "read and write phonetic notations ahead of schedule," and exerting a great influence on the whole country. Cultural, sports, public health, press, publication, radio and television, and cultural relics undertakings also developed correspondingly, contributing to publicizing the party's line, principles and policies, improving the people's cultural level and health, and promoting the building of the socialist spiritual civilization.

Along with the developed production, the livelihood of the urban and rural people was remarkably enhanced. During the Sixth 5-Year Plan period, the actual income of the staff members and workers increased obviously thanks to the state's readjustment of the wage system and the restoration of various reward systems. Allowing the price rises, the average wages of the province's staff members and workers in 1985 increased by 7 percent over 1980, and the average per-capita net income of peasants increased by 43.2 percent. In the past 5 years, we provided jobs for 1.66 million labor forces in cities and towns. Savings deposits of urban and rural residents increased annually. By the end of 1985, savings deposits totaled 7.01 billion yuan, up 2.7 times over 1980. During the Sixth 5-Year Plan period, investment in the construction of residential houses for staff members and workers in cities and towns was greater than any period. A total of 20.93 million square meters of residential houses was built, equivalent to 45 percent of the total areas of residential houses in the past 28 years. Certain improvements were made in urban and rural environmental protection and public facilities, and other social welfare undertakings.

During the Sixth 5-Year Plan period, new progress was made in the province's political and legal work, the Overseas Chinese work, the nationalities work, religious work, the people's air defense work, militia work, and family planning work.

The comprehensive fulfillment of the Sixth 5-Year Plan has laid a good foundation for the implementation of the Seventh 5-Year Plan. This has resulted from the concerted and arduous work of the people of all nationalities across the province under the correct leadership of the party. On behalf of the provincial people's government, I hereby extend my highest consideration and heartfelt thanks to the workers on all fronts, the peasants, the intellectuals, the vast number of cadres, the PLA commanders and fighters, the public security, political, and judicial cadres and policemen, all democratic parties, the nonparty democratic figures, and all patriotic personages.

Such a good achievement scored by the province in economic and social development over the past 5 years has not come easy. Such a good achievement has mainly resulted from the conscientious implementation of the correct line defined by the 3d Session of the 11th CPC Central Committee, the discarding of the erroneous theory and practice of "regarding class struggle as the key link," the further elimination of the influence of the "left" ideas, the summing up of historical experiences and lessons in accordance with the ideological line of seeking truth from facts, the straightening out of the ideology guiding economic work, and the shifting of the focus of all our work to the orbit of the socialist modernization drive. Such a good achievement can be ascribed to the fact that we have conscientiously implemented the principles of invigorating the domestic economy and opening up to the outside world in line with the arrangements of the CPC Central Committee; have carried out the economic structural reform in a planned and step-by-step manner; have gradually developed the economic structural reform from the rural areas to the urban areas and from a single item to one which covers all items with



stress on the urban economy; have broken with the rigid models in the ownership structure, distribution system, circulation system, planning system, and enterprise management; have inspired the motivating power of producers and enterprises; and have instilled new vitality to the entire economy. This achievement can be ascribed to the fact that the province has regarded the improvement of economic efficiency as the central task of the economic work; have changed from one-sidedly seeking the industrial growth rate, the output value of heavy industry in particular, to seeking the coordinated development of agriculture, light industry, and heavy industry and the comprehensive development of the economy, science, technology, culture, education, and the society; have defined feasible strategic ideological and guiding principles for economic development in light of the province's basic situation; have carried forward strong points and avoided weaknesses; have exploited favorable conditions; have rationalized the production set-up and the proportions among various major economic sectors; and have adhered to the unity between growth rate and efficiency. This achievement can also be ascribed to the fact that people's governments at all levels have persisted in the simultaneous grasping of the "two civilizations" in doing the practical work; have vigorously strengthened the building of spiritual civilization in the course of intensifying the building of material civilization; have consolidated and developed the political situation of stability and unity; and have ensured smooth progress in the economic work. While implementing the Seventh 5-Year Plan, we should draw valuable experiences from these facts.

Generally speaking, the province's political and economic situation was good during the Sixth 5-Year Plan period. However, in the course of fully affirming achievements, we must clearly notice that some weak links and difficulties still exist in economic and social development. In many places, the agricultural basic facilities are insufficient and are poorly managed, the ability to resist natural disasters is poor, and the per-unit output of crops is low and unstable. Quite a few rural areas have not yet extricated themselves from the one-crop farming of the natural economic state, and their economic foundation is relatively poor. Due to the blow by natural disasters, peasants in some places have serious problems in production and livelihood. Most industrial enterprises are equipped with outmoded facilities and technologies. In some enterprises, the management and technical levels are not high, the quality of products is poor, consumption of materials and raw materials is high, competitiveness is weak, and economic efficiency is not good enough. The shortage of power supply and raw materials, the strain on transport and communication, and the shortage of funds are still the major factors preventing the development of the province's economy. Difficulties in purchasing and marketing often arose in some localities because the circulation channels were not open enough. Despite great efforts in developing education, it still lagged behind the needs in economic development, and the development of intellectual resources and the training of competent personnel remained a weak link. There were also some shortcomings and mistakes in our work. New problems cropping up in popularizing the household output-related contract responsibility system in the rural areas were not sufficiently investigated and studied and were not solved in a timely

manner. Efforts in implementing the policies on purchases of farm and sideline products were not firm enough, thus dampening the enthusiasm of grass-roots units. Arbitrary price hikes of some commodities and collection of unwarranted charges and funds from enterprises had yet to be eliminated. In the arrangements for economic construction, scientific assessments and meticulous plans were not carried out for some projects, hence duplicate construction. Effective measures were lacking in maintaining production safety, and the number of serious accidents was comparatively large, causing serious losses to the state and the people. In government organs, bureaucracy, procrastination, and low work efficiency still existed, as did unhealthy trends at varying degrees. We should take these problems seriously, and adopt effective measures to redress them.

## II. The Basic Principles and Major Tasks for Economic and Social Development of Our Province for the Seventh 5-Year Plan Period

The Seventh 5-Year Plan period is a crucial period for the national economic development during the 1980's. During this period, we should both maintain a sustained, stable, and coordinated development in production and construction and lay a good foundation for the economic revitalization in the 1990's. In line with the three major tasks set forth in the state's Seventh 5-Year Plan, our province's tasks for national economic and social development during the Seventh 5-Year Plan period should be geared to the overall situation of the economic development of the whole country, and should coordinate with the strategic pattern of the economic development of the whole country. We should conscientiously implement the guidelines of the Fourth Session of the Sixth NPC, persistently grasp the "two civilizations" simultaneously, comprehensively carry out the strategic principle of "structural reform and technical transformation, and opening to other provinces and foreign countries to make the country and the people prosper," place reform in the first place, rationally exploit natural resources, step up key construction, expedite the development of talented people, and greatly facilitate technological progress so that the national economy of our province can embark on a track full of vitality and vigor, and characterized by high efficiency, good results, and a self-sustained growth.

Major targets of our province's national economic and social development for the Seventh 5-Year Plan period are as follows: By 1990, the industrial and agricultural output value of our province will reach 64.7 billion yuan, showing an increase of 17.9 billion yuan over 1985, and averaging an annual growth of 6.7 percent. Of the total, agricultural output value will be 13.7 billion yuan (excluding village-run industries), averaging an annual increase of 5.6 percent; and industrial output value will be 51 billion yuan (including village-run industries), averaging an annual increase of 7 percent. The GNP will reach 48 billion yuan (calculated in terms of 1985 prices), showing an increase of 14.5 billion yuan over 1985, and an average annual increase of 7.5 percent. The national income will reach 39 billion yuan (calculated in terms of 1985 prices), representing a growth of 10.2 billion yuan over 1985, and averaging an annual increase of 6.2 percent. The total

volume of retail commodity sales will reach 27.5 billion yuan, and annual increase of 9.8 percent. The revenue will be 5.66 billion yuan, an annual increase of 6.5 percent. The actual per-capita consumption level of residents will grow by 5.5 percent every year. These growth rates have been defined in line with the actual situation of our province, and can totally be achieved as long as we do our work successfully.

In line with the actual situation in the province's economic and social development and the major targets for the Seventh 5-Year Plan, the basic principles and major tasks for the Seventh 5-Year Plan are:

1. We should grasp grain production and promote all-round development in the rural economy.

Agriculture is the foundation for the national economy and grain is most important. During the Seventh 5-Year Plan period, we should continue to implement the policy of "not relaxing efforts in grain cultivation while diversifying the economy," and under the premise of ensuring a steady growth in grain, promote the all-round development in the planting industry, forestry, animal husbandry, aquatic products industry, and township enterprises. By 1990, we should initially form a comprehensive production setup focusing on agriculture and a combination and coordinated development in the diversified undertakings, and enable the agricultural economy to become more and more specialized, commercialized, and modernized.

We should exert strenuous efforts to develop grain production. By 1990, the total grain output of the province should reach between 36 and 38 billion jin. Marked development should also be achieved in cash crops. During the Seventh 5-Year Plan period, the state has designated our province as a soybean export base and restricted the growth of farming areas for high-yield crops. To steadily increase grain output, we have to undertake heavy tasks. We should focus the development of grain production on raising the per-unit area yield of grain. Strenuous efforts should be made to promote scientific and technological progress in the agricultural sector and raise the level of scientific farming. We should vigorously grasp effective measures for increasing production, and with the principle of conducting experiments and demonstrations before popularization, actively popularize the new technology of transplanting corn seedlings, sparsely cultivating paddy in dryland, and standardizing the cultivation of soybeans and wheat. We should actively select high-yield and quality seed varieties that suit the local adverse weather conditions, further improve the fine strains breeding system, and strengthen the popularization and management of fine seed strains. We should pay great attention to the problems of universally dropping the operational volume of large farm machinery and of poor technology, adopt effective measures, fully display the role of the existing farm machinery, and enable farm machinery to better serve agriculture in an effort to increase output. We should combine the work of grasping current production with long-term agricultural construction, strive with all possible means to increase



agricultural input, and improve the basic conditions for agricultural production. During the Seventh 5-Year Plan period, under the plan, the province's total investment in agriculture will be 840 million yuan, an increase of 40 percent over the Sixth 5-Year Plan period. Such an investment will be mainly used for strengthening the infrastructure in the agricultural sector, and accelerating development of the Sanjiang Plain. We should take active but prudent steps in developing Sanjiang Plain in line with the principle of developing agriculture, forestry, and animal husbandry in all suitable places. After controlling the flood, waterlogging, and natural disasters, we may properly expand the areas for reclamation. Meanwhile, we should encourage and lead the peasants in increasing the input of materials and labor forces on their land, formulate measures for maintaining cultivated land, apply more farm manure and chemical fertilizer to farmland, and improve the fertility of the soil in order to guarantee a long and steady growth in grain production. We should adopt the method of combining the efforts of the state, the collective, and peasants, improve medium-sized and small river valleys in a planned manner, actively build small farmland water conservancy projects, strengthen management and the coordination of the existing water conservancy projects and machine-pumping wells as well as other facilities, fully display their efficiency, and intensify our ability to overcome natural disasters. We should strengthen management over agricultural resources and the building of energy projects in the rural areas, strictly control the utilization of land for capital construction, and restrict the arbitrary appropriation of cultivated land. In order to develop grain production, we should continue to deeply implement the party's various rural policies, maintain the continuity and stability of policies, and better safeguard and mobilize the enthusiasm of peasants in grain production.

On the basis of grasping grain production, we will effect relatively big progress in forestry, animal husbandry, the aquatic products industry, and town and township enterprises. As of 1990, the proportion of forestry, animal husbandry, sideline production, and fishery output value in the total agricultural output value will rise from 32.7 percent in 1985 to 35 percent; and the output value of town and township enterprises will rise from 4 billion yuan in 1985 to 11 billion yuan. In terms of forestry production, we will continue to implement the principle of regarding forest building as the key link, actually attend to the cultivation of reserve forest resources, rationalize the proportion between tree-felling and tree-planting, and develop the comprehensive utilization and diversified management of timber. We will further attend to the tree-planting and afforestation work. During the Seventh 5-Year Plan period, the province plans to afforest 25 million mu and accelerate the construction of the second stage project of the north, northeast, and northwest China shelterbelt. Proceeding from increasing the comprehensive efficiency, we will develop timber forests, fast-growing and high-yield forests, and economic forests in an coordinated manner, vigorously build fuel forests, continue to plant trees around villages and houses and along canals and roads, and accelerate the afforestation of plains. We will strengthen forest administration and strictly ban the arbitrary felling of trees. It is very important to develop animal husbandry, because animal

husbandry will not only provide increasingly more livestock products and industrial raw materials for the markets, but also will provide still more fertilizers for the cropping industry. We should gradually build animal husbandry into a major pillar of the province's rural economy by implementing the principles of paying equal attention to pastoral and rural areas, developing animal husbandry with the concerted efforts of the state, collectives, and individuals, and encouraging the vast number of peasant households and specialized houses to develop the breeding industry. We should actually strengthen grassland management and construction. On the basis of steadily developing the number of animals and poultry, we should focus on improving the quality, accelerate the improvement of the breeds of animals, raise the commodity amount of livestock, and gradually form a system covering breeding stock, forage grass, breeding skills, processing, and technical services. We should build a number of livestock products bases around large and medium-sized cities. We should actively develop the aquatic products industry, continue to implement the principle of simultaneously developing the breeding, fishing, and processing industries with stress on the breeding industry, and establish the commodity fish producing areas in places with the proper conditions. Developing town and township enterprises is the only way to invigorate the rural economy. We should vigorously develop the village-, integrated household-, and household-run enterprises in line with the principles of giving active support, making rational planning, giving accurate guidance, and strengthening management, in light of the local favorable conditions, and focusing on the processing of agricultural products. We should mainly depend on our own accumulated funds to initiate town and township enterprises, and should pay attention to avoiding environmental pollution and the destruction of natural resources. We should actually strengthen the management of town and township enterprises, strive to increase economic efficiency, and gradually step up the ability of "supporting agriculture with industry." We should accelerate the construction of small towns and cities in combination with the development of town and township enterprises. All professions and trades should vigorously support the development of agriculture, actively spread science, technology, and industrial products to the rural areas, transport agricultural and sideline products to the urban areas, support the peasants to enter cities to engage in the tertiary industry, and organize combinations between the urban and rural areas through various forms in order to promote the common prosperity in both urban and rural areas.

We should further strengthen the development and construction of poverty-stricken areas, mountainous areas, and border areas, and help these areas change their poverty situation as quickly as possible. About 20 percent of peasant households in the province suffer from poverty, and mountainous and border areas still face many difficulties. Changing the outlook of the poverty-stricken areas and households has important significance for developing the province's agriculture. During the Seventh 5-Year Plan period, we should regard this work as an important task, and educate the cadres and the masses in poverty-stricken areas to foster the idea of depending on their own efforts to develop production and change their poverty situation. Various localities and departments should further implement the pertinent policies on supporting mountainous and border areas defined by the provincial CPC

Committee and the provincial people's government, and give vigorous support to these areas in all fields. We should strengthen the internal vitality of these areas in order to rapidly eliminate their poverty and backwardness.

Aiming at invigorating the state farms built on reclaimed wasteland, it is necessary to improve the reform of the double-layer operational system under which "small farms were set up within large farms," make persistent efforts to successfully operate the family-based farms built by staff members and workers and to popularize the various forms of the economic responsibility system, give full rein to both the initiative of staff members and workers in operating family farms and the superiority of large farms in making unified arrangements for pre- and post-production service and in mechanized operation, and fully develop the advantage of such state farms in resources, technology, and equipment to create the best economic results. We should strengthen leadership of state farms built on reclaimed wasteland, lead them to stick to the orientation of overall operation of agriculture, industry, commerce and transport, to expand economic ties with all fields of society and their neighboring rural areas, to help the peasants in neighboring areas to achieve affluence through economic and technological cooperation and service, and to achieve common development on the basis of mutual assistance and mutual benefit.

2. We should maintain a sustained and stable development in industrial production with the focus on improving economic results.

During the Seventh 5-Year Plan period, our province's industrial production should maintain a proper growth rate on the premise of improved economic results. Industrial enterprises should persistently expand production chiefly by intensive means, successfully readjust the trades, step up technical transformation, improve management, and concentrate efforts on upgrading product quality, reducing material consumption, and developing new products.

It is necessary to strengthen the technical transformation of enterprises, and enhance their ability to cope with changes and create the new. Our province currently has more than 17,000 industrial enterprises, of which some 320 are large and medium ones. The number of large and medium-sized enterprises amounts to only 2 percent of the total, but the output value they create amounts to more than 60 percent. During the Seventh 5-Year Plan period, we should regard the technical transformation of enterprises, especially large and medium-sized ones, as a key strategic point, carry it out in a planned manner and according to established priorities of trades and categories, and achieve better economic results through it. We should muster financial and material resources to technically transform the 60 large and medium-sized backbone enterprises in machinery, electronic, consumption goods, raw material, energy, transport, and post and telecommunications industries on a priority basis, and effectively combine the technical transformation of enterprises with the readjustment of trades, the reorganization of enterprises and the mastery, application, and further development of imported technologies so as to improve their capacity for comprehensive production and their technological levels. We should put into effect the policies encouraging technical transformation. Those large and medium-sized

industrial enterprises which shoulder heavy technical transformation and export tasks, pay large sums of profits and taxes, but are levied large sums of regulatory taxes should have their regulatory taxes reduced or exempted according to relevant state regulations. The depreciation rate of the fixed assets of enterprises should be raised step by step, and 80 percent of the fixed asset depreciation funds should be used in technical transformation. While technically transforming large and medium-sized enterprises, we should intensify the technical transformation of medium-sized and small local industrial enterprises in a planned manner.

It is necessary to strengthen enterprise management and comprehensively enhance the competence of enterprises. Our province's poor economic results should be mainly attributed to comparatively backward enterprise management, poor product quality, fewer varieties and patterns, and high material consumption. According to a rough estimation of relevant departments, each 1-percent decline in the material consumption of state industrial enterprises will increase their income by 187 million yuan. This shows great potential. In strengthening enterprise management, first of all we should put more efforts in upgrading product quality and reducing material consumption. Such economic targets as quality product rate, up-to-standard rate of products, and reduction rate of comparable cost should be assigned to trades and enterprises gradually every year in a systematic manner and measures should be formulated to ensure their fulfillment. The plan for upgrading the management of the enterprises throughout the province should be conscientiously carried out in order to attain the state-assigned goal of upgrading enterprises as scheduled. The systems of target management and quality control should be instituted extensively, the economic responsibility system should be enforced at every level, and the basic work for enterprise management should be conscientiously carried out so that higher economic results, growth rate, and reserve strength can be achieved through improved management. Second, we should further improve operation and management and, in particular, accelerate the turnover period of funds, and use the funds more effectively. If we accelerate the turnover period for the working funds of the state-owned industrial enterprises by 1 day, we may increase revenue by 26.7 million yuan. By 1990, the turnover period for the working funds of the budgetary local state-owned industrial enterprises will be accelerated by 20 days or so as compared with that of 1985. Third, we should continue to grasp the work of ending deficits and increasing profits. While enabling the profit-making large enterprises to increase profits continuously, we should make strenuous efforts to end deficits and increase profits in the grain, agricultural, livestock breeding, and sugar-making industries as well as in hog and vegetable operations. We should formulate annual plans for ending deficits and increasing profits in various industries at various levels and implement measures. We should adopt policies to encourage enterprises to increase profits, and give rewards and necessary support to enterprises that have scored remarkable success in reducing deficits. We should resolutely readjust and change the line of production of enterprises that have incurred serious losses and whose output cannot repay the debts. Fourth, we should improve the quality of workers, because this is the foundation for improving the quality of enterprises. To this end, we should do a good job in training workers, and enable the political, professional, and technological levels of the broad masses of workers to improve unceasingly.

We should further readjust the production setups and the product structure, and change the superiority of the natural resources into economic superiority. During the Seventh 5-Year Plan period, we should proceed with the readjustment of production setups from our province's superiority of natural resources and the characteristics in industry, do a good job in building the support projects for the Daqing 300,000-ton ethylene project, and vigorously develop the petrochemical industry, gold production, and the electronics and machinery industries, as well as the consumer goods industry focusing on foodstuffs and textile industries. We should readjust production setups in close connection with market needs, try all possible means to develop new products, expand the production capacity of brand-name and quality products that can find a ready market and products in short supply, increase the output of products, update and upgrade products, improve the quality of products and packaging designs, and strive to enable more products to find markets in other provinces and foreign countries. While readjusting the production setups and product structure, we should strengthen guidance over the macroeconomy, do a good job in working out plans for various trades, and keep a rational distribution and proportion of trades so that they will be developed in a coordinated manner.

While vigorously raising the industrial production benefits, we should also strive to raise the economic results of the whole society, foster the idea of simultaneously grasping industry and agriculture, as well as production and circulation, and actively develop agriculture, industry, and commerce in a coordinated manner. We should fully display the superiority of agricultural resources, develop the processing industry in the major farm and sideline products producing areas, develop industry, and gradually form an economic zone with local characteristics. It is necessary to formulate and improve the policy of giving simultaneous consideration to the economic results of the agricultural, industrial, and commercial sectors, and support the coordinated economic associations of agriculture, industry, and commerce in terms of finance, taxation, and credit. All trades and professions should pay attention to the method of making, accumulating, and using money, increase the accumulation of funds, and speed up economic construction.

We should strengthen and improve economic management at the county level. At present, our province still has 47 counties relying on subsidies from the provincial financial department, of which 32 are key counties for receiving subsidies. During the Seventh 5-Year Plan period, we should realistically help these counties strengthen and improve economic management, raise the economic results of industrial enterprises, and improve the financial situations of these counties within a short period of time. The province should formulate an overall plan for supporting those counties that are entitled to receive subsidies, implement necessary supportive policies, and help these counties build and renovate some projects that require small investment and yield quick returns and high benefits in order to enhance their ability to improve themselves.



3. We should ensure the construction of key projects and strengthen the reserve strength of the economy.

During the Seventh 5-Year Plan period, we should strengthen control over the macroeconomy, rationally readjust the structure of investment, strengthen the construction of key projects, ensure a steady increase in the economy, and accumulate reserve strength for vitalizing the economy in the 1990's.

During the Seventh 5-Year Plan period, the key areas of our province's capital construction are the energy, transport, telecommunications, and raw material industrial infrastructural construction. In energy construction, we should focus on electricity, continue the principle of "stressing development and conservation simultaneously," actively develop thermal power stations, greatly develop hydropower stations, and intensify the construction of regional power networks. In addition to ensuring the scheduled completion of the eight large and medium-sized thermal power plants and the one hydropower station, we should grasp well the renovation of the energy conservation technology of various trades, reform and improve the energy control system, raise the energy utilization rate, and reduce energy consumption in order to take some of the strain off the energy supply. Overall plans and rational geographical distribution should be worked out for the coal industry. A number of backbone mines which have reserve strength should be built in the eastern part of the province, and coal development in the western part should be accelerated in order to ensure the fulfillment of the state tasks and gradually change the situation in which coal needed in the western part is supplied by the eastern part of the province. When building large power plants, we should also build local small coal mines in their surrounding areas. Through building support facilities, renovation, and expansion, the Daqing Oilfield should continue to maintain stable and high yields. Meanwhile, favorable conditions should be actively created to develop local small oilfields. In transportation, construction of the two double-track railways, Binzhou and Binsui railways, the Harbin key station, and two local railways should be continued, and we should greatly strengthen the construction of road, water, and civil air transportation facilities, give full play to the role of various means of transportation, gradually establish an economical, rational, and coordinatedly developed comprehensive transportation system, and improve our transportation capacity through all possible means. In telecommunications facilities, we should renovate and develop local calls on a priority basis, adopt advanced technologies and equipment, such as the program exchange system and long-distance direct dialing, build three microwave trunk circuits and satellite communications facilities in remote areas, and build two long-distance telecommunications relay stations in order to notably raise the postal and telecommunications capacity. In raw materials, we should intensify the development and utilization of nonmetallic ore resources, increase our production capacity of cement and plate glass, and strive to develop new building materials. Through new projects, expansion, renovation, and tapping potential of the existing production capacity, we should improve fairly greatly the supply of the major raw materials needed in our province's industrial and agricultural production.

During the Seventh 5-Year Plan period when our province shoulders heavy key project construction tasks, we should adopt correct policy decisions and resolute and effective measures to ensure the completion of key projects. In order to rationalize the investment pattern, we should bring the extra budgetary investment in capital construction under strict control and continue to increase investment in energy, transportation, telecommunications, and raw material industrial infrastructures after unifying the plan and comprehensively balancing the fixed asset investment scale of the whole province, and by proceeding from the overall economic situation of the province. We should properly control investment in nonproductive projects, conscientiously take stock of the projects under control, bring new projects under control, and overcome the tendency of vying for investment, starting new projects blindly, and duplicate construction. Starting with the Seventh 5-Year Plan, all the funds, materials, equipment, and transportation, designing, and construction organizations for large and medium-sized projects should be made available before they can be listed in plans and started. We should organize construction according to rational schedules, actively popularize and improve the various forms of the system of investment responsibility, and the various types of bidding systems for designing, construction, and worksites, and further solve the problem of long construction periods and poor returns from investment so as to greatly change the outlook of capital construction. In developing energy, transportation, and other undertakings, we should pool the efforts of the state, the collective, and the individual, mobilize the forces from all quarters, widely open up financial sources, raise funds through various channels, and achieve greater, faster, better, and more economic results.

Geological prospecting should be greatly strengthened in order to suit the needs in the construction of key projects. At present, our province is not clear about its resources and lacks detailed prospecting data due to backward geological prospecting means. During the Seventh 5-Year Plan period, we should speed up the efforts to look for mineral deposits and appraise resources, strengthen comprehensive prospecting, appraisal and development, actively develop hydrogeological engineering, and geological environmental work, and raise the social economic benefit of geological work so as to better serve key construction projects, and provide mineral resources and geological data for the sustained economic development of the 1990's and even the next century.

4. We should step up the ability to expand exports and earn more foreign exchange, and further develop foreign trade and economic and technological cooperation.

Striving to expand exports and earn more foreign exchange is the key to expanding the province's foreign trade and the economic and technical exchange with foreign countries on a still larger scale. During the Seventh 5-Year Plan period, we should promote the further development of foreign trade and external economic and technological exchange with stress on stepping up the ability to export more products and earn more foreign exchange. By

1990, the total provincial volume of imports and exports will reach \$1.45 billion, increasing at an average annual rate of 23.4 percent. Of this, the total volume of exports will reach \$1.55 billion, an average annual increase of 20.5 percent; and that of imports, \$400 million, an average annual increase of 33.9 percent.

To strengthen the ability to export more products and earn more foreign exchange, the most important thing is to adopt the correct strategy which is suitable to the demands of international markets and the province's situation. Proceeding from fully exploiting the province's favorable conditions, we should accelerate the establishment of the 10 bases for producing agricultural products, cash crops, local and livestock products, textile products, light industrial products, mineral products, chemical industrial products, electrical and mechanical products, timber products, and building materials. We should gradually establish an export commodity producing network with the characteristics of our province, form a number of highly competitive export products, and establish an external-oriented economy as quickly as possible. We should strive to build and manage the soybean production bases well. We should gradually change the structure of other export commodities, strive to expand the export proportions of manufactured raw materials, the reprocessed products, light and textile products, and electrical and mechanical products; adhere to giving top priority to improving the quality of export commodities; and step up competitiveness in international markets. In the course of consolidating and developing the already opened international markets, we should actively open up new international markets, continue to expand the commodity-exchange trade with the Soviet Union and European countries, further exploit the role of the province's windows and ports stationed in foreign countries, and expand the way to export more products and earn more foreign exchange.

We should implement policies and measures to encourage exports and the earning of foreign exchange, and mobilize the initiative of enterprises which produce export commodities. We should develop integration between foreign trade enterprises and production enterprises, combine production with marketing, develop industry in line with the needs of foreign trade, combine technologies with foreign trade, and expand the autonomy of foreign trade enterprises and enterprises which produce commodities for export. Mandatory planning should be applied to major export commodities; and first priority should be given to ensuring the supply of materials, funds, raw materials, fuel, power, and transportation means which are needed to produce export commodities. The technical transformation plans of the export commodity producing enterprises should be listed independently, and priority should be given to ensuring the import of foreign capital and technical equipment. Tax drawback and tax exemption should be applied to export commodities. Regulatory tax for the export of commodities produced by enterprises in base areas should be reduced appropriately, just as we do among large and medium-sized enterprises. Economic encouragement and support should be given to those localities, departments, and enterprises which implement the principle of earning and consuming more foreign exchange, and which make remarkable contributions to expanding exports and increasing foreign exchange so that we can give due practical interests to those enterprises, workers, and staff members that export more export more commodities and earn more foreign exchange.



In the course of increasing the foreign exchange income from trade transactions, we should vigorously develop tourism, labor service export, and contracted projects in foreign countries in order to increase the foreign exchange income from non-business transactions. Forests, lakes, the ruins of ancient volcanoes, natural ski resorts, rare animals, and the marvelous ice sculpted lamps of the province present favorable conditions for developing the tourist trade. During the Seventh 5-Year Plan period, we should utilize and develop tourist resources, improve the quality of tourist services, build tourist facilities with the province's characteristics, and draw still more travelers. We should make full use of the province's favorable conditions in engineering technology and labor services to open up a new situation in contracting projects in foreign countries and organizing service cooperation with foreign countries.

We should enhance the guidance to the utilization of foreign capital and the import of technologies. On the basis of increasing exports and foreign exchange and enhancing the ability to repay and draw foreign exchange, we should appropriately expand the scale of the utilization of foreign exchange and the way to attract the funds of the overseas Chinese. We should accurately grasp the utilization orientation of foreign capital, and give prominence to importing software, advanced technology, and key equipment which are conducive to the province's technical progress and to raising the province's ability to expand exports and earn foreign exchange. This software, advanced technology, and key equipment should be used to develop export products and to substitute imported items. We should guard against blind and duplicated imports, and raise the economic efficiency of the utilization of foreign capital to the maximum degree.

We should continue to unswervingly implement the principle of acting independently and with the initiative in one's own hands, strengthen the work of dealing with foreign affairs, facilitate development of our friendship with different types of countries, further consolidate and develop relations with friendly cities, and enthusiastically open up new spheres for conducting external work in order to serve the province's economic construction.

5. We should enthusiastically develop scientific and educational undertakings and accelerate technological progress and cultivation of talented persons.

During the Seventh 5-Year Plan period, we should place in a strategic position the task of overall importance for developing scientific and educational undertakings, accelerating technological progress, and strengthening cultivation of talented persons, and conscientiously make achievements in the work.

In carrying out scientific and technological work, we should conscientiously implement the principle in which "we must rely on science and technology to carry out economic construction and make scientific and technological work serve economic construction," further foster a strategic viewpoint of paying attention to scientific and technological progress, consciously link scientific and technological work with economic construction, and rely on

scientific and technological progress to facilitate the development of all undertakings. We should carry out the principle of linking developmental research with popularization, arm all branches of the national economy with advanced technology, strive to make certain development in new and high technologies, and strive to apply advanced technology to promote the development of the national economy. We should strive to ensure that, by 1990 scientific and technological progress accounts for 25 percent of the total factors promoting the increase of the total industrial and agricultural output value and that the quality and functions of 30 percent of the products made by key large and medium-sized enterprises reach the levels that the developed countries reached in the late 1970's or early 1980's.

During the Seventh 5-Year Plan period, we should concentrate scientific and technological development on vigorously developing and popularizing the scientific and technological achievements that can achieve good and fast economic results in order to help enterprises, including town and township enterprises, and should accelerate technological progress. We should bring into full play the functions of scientific research units, institutions of higher learning, and large and medium-sized enterprises; enthusiastically develop various types of economic and technological cooperation; open technological markets; strengthen scientific and technological consultative services; and popularize science and technology in order to facilitate the transfer of science and technology from economically developed areas to economically backward areas, from urban areas to rural areas, from military industrial use to civilian use, and from large and medium-sized enterprises to small and medium-sized enterprises, in particular, to town and township enterprises. In this period, the province should focus on developing 500 new products and popularizing 190 scientific and technological achievements. We should enthusiastically carry out the "spark plan" and develop 200 scientific and technological items in service of town and township enterprises in order to promote a faster realization of making science and technology become productive forces. We should also concentrate our energy on tackling scientific and technological problems in economic construction and tackling key technological problems in social development. We should focus on making joint research on 388 subjects relating to 55 items, and make efforts to score notable achievements in developing new technologies for cultivating major grain crops, cash crops, and fine breeds of animals and poultry; in carrying out deep and precision processing of agricultural, livestock, forestry, and mining products; and in developing the mechanical and electronics, textile, paper making, chemical industrial, building materials, and foodstuffs trades. We should open up new scientific research fields through selection, and focus the development and research on such fields as electronic information, biotechnology, manufacture of new materials, nuclear technology and automation technology. We should strengthen research on applied and basic sciences in order to make a good scientific and technological reserve for economic, scientific, and technological progress. While grasping the research on natural science, we should strengthen the research on social science focusing on strategic subjects on economic and social development and key tasks for reform in order to better serve economic and social development.

Technological progress and the entire four modernizations program can never depart from the development of intellectual resources and the training of competent personnel. We should develop educational undertakings in accordance with the demands of "gearing to the needs of the modernization, the world, and the future," conscientiously implement the principle of comprehensively developing the moral, intellectual, and physical qualities, and aesthetics, and strive to train more qualified persons for undertaking the province's modernization program. During the Seventh 5-Year Plan period, we should vigorously and steadily develop educational undertakings, strive to raise the quality of education, basically balance the proportion of the multilayered training of competent personnel and that of the various branches of learning, and gradually establish a coordinated educational system that combines regular education with vocational education, full-day educational system with part-time education, and school training with self-education. Continued efforts should be made to readjust the structure of secondary education, and the proportion of multilayered teaching and various branches of learning in higher education, so that all schools will gradually have a proper scale, specialized courses, and a rational structure. All kinds of vocational educational schools should coordinate with colleges and universities in running specialized courses.

We should conscientiously implement the compulsory education law, strengthen elementary education, do a good job in preschool education, and gradually implement the 9-year compulsory educational system. By 1988, the province as a whole should basically popularize primary education. By 1990, we should popularize 9-year compulsory educational system in areas whose total population account for 20 percent of the province's total. In the next 5 years, we should train 93,000 secondary vocational school graduates, 60,000 students of regular and specialized courses, and 2,700 postgraduates. We should actively develop vocational technical education and education for adults in various forms. It is necessary to strenuously grasp teachers' training education and to train teachers, strengthen the building of teacher's training schools and schools for advanced studies, and strive to foster a contingent of teachers with a definite quality, quantity, and structure that basically meet the needs. We should pay attention to preschool education and special education for blind, deaf, mute, disabled and mentally-retarded children.

In order to speed up technological progress and the training of competent personnel, during the Seventh 5-Year Plan period, we should increase funds for science, technology and educational undertakings, and enable the growth rate of scientific, technological, and educational funds to exceed the growth rate of regular financial revenue. All city, county, and township governments should collect more funds for developing scientific, technological, and educational undertakings.

6. Along with the development of production, we should further improve the material and cultural lives of the people.

Satisfying the needs of the people's material and cultural lives is the fundamental purpose of developing socialist production. During the Seventh 5 Year Plan period, we should continue to improve the material and cultural

lives of the people in accordance with the principle of giving simultaneous consideration to production and consumption on the basis of developing production. In line with the target of making the livelihood of the people attain a comparatively better-off level by the end of this century and the possible situation of the province's production development in the next 5 years, by 1990, the average actual consumption level of the urban and rural people throughout the province should increase by 30 percent or so over 1985. All kinds of social undertakings serving the people's livelihood should be relatively developed.

We should increase the income of residents and improve their consumption pattern. During the Seventh 5-Year Plan period, along with the development of production, the average net income of peasants should show an annual increase of 10.4 percent. The average wage of workers should show an average annual increase of 4.1 percent, and together with the increase in the number of employees, the average annual growth rate of the income of urban residents will exceed this figure. While ensuring the steady improvement in the income of residents, we should lead the masses in rationalizing their consumption pattern in a planned manner so that the changes in the consumption pattern will cope with China's social nature, natural resources conditions, national features, and the level of production forces. In the next 5 years when we improve our consumption pattern in urban and rural areas, we should build more residential houses, improve clothing, increase the production of durable consumer goods, and develop social service on a priority basis. In food, we should gradually increase the supply of meat, eggs and milk, do a good job in the intensive processing of grain, and greatly develop the production of foods and soft drinks. We should make particular efforts to solve the problem in vegetable supply, which is closely linked with the people's lives. Large and medium-sized cities should carry out the principle of ensuring vegetable supply, with the supply by the outskirts areas as the main, that by the outer suburbs as the supplement, and that by other areas as the regulators, maintain sufficient vegetable growing areas, and give planned guidance to the major varieties in order to satisfy the needs to the maximum. In clothing, we should increase varieties and patterns, and improve cloth designs. In daily necessities, the production of durable consumer goods and small commodities should be developed to make the people's lives more convenient. The living conditions of the people in the urban and rural areas should also be improved step by step following the development of production. While improving the people's material lives, we should vigorously develop social cultural undertakings to enrich the people's spiritual lives.

Public welfare should be developed and social security guaranteed. We should launch a broader and deeper patriotic public health campaign, and further expand medical and health care undertakings, with the focus on rural primary health care, so as to raise the people's health level. In 5 years, we should strive to reduce the overall incidence of the 19 legal contagious diseases to lower than 350 per 100,000, and the infant mortality to lower than 28 per 1,000. The various social insurance systems should be established and improved step by step in line with the capacities of the state, the enterprise and the individual, and the social insurance scope should be gradually expanded. We



should carry forward our people's line tradition of helping and supporting each other, and continuously perfect the social welfare system. Enterprises and institutions should be encouraged to develop collective welfare for their staff members and workers, and more welfare facilities, such as children's welfare houses, recreation centers, houses for the aged, and sanatoriums, should be built in order to provide more services for children, old people, and the disabled. We should do a good job in civil relief work and the special care of disabled servicemen and of family members of revolutionary martyrs and servicemen, in supporting the army and giving preferential treatment to families of army men, and in placing the army cadres transferred to civilian jobs.

Employment should be expanded, and labor protection strengthened. We should continue the principle of employment through the introduction of labor departments, by voluntarily setting up organizations, or through individual efforts, open up wide production avenues, strive to develop the collective and the individual economy, greatly expand the tertiary industry, and strive to place basically all the laborers who need to find jobs in cities and towns by 1990. All departments and units should continue to render active support to young new employees in terms of policies, funds, materials, equipment, and space. All fronts should improve their labor conditions ceaselessly, grasp production safety and labor protection, prevent job-related accidents, and reduce the incidence of occupational diseases.

A good job should be done in urban and rural construction to improve the living environment. We should continue to build infrastructures in large and medium-sized cities that should have been built, and strive to ease the strains in water and heat supply, and the supply of means of transportation and housing in cities. In the rural construction, we should improve the housing and drinking water supply of the rural residents. We should conscientiously strengthen environmental management, monitoring, protection, and renovation; eliminate pollution; upgrade environmental quality; and carry out and improve economic development, urban and rural construction, and environmental construction simultaneously.

Population growth should be controlled, and population quality improved. We should continue to regard family planning as a long-term strategic task, strive to keep the population growth within approximately 9.8 per 1,000 in 5 years, and keep the province's population within 35.24 million by 1990. We should continuously implement and improve the various family planning policies and measures, bring unplanned births under strict control, greatly popularize sound child rearing practices, and improve the population quality.

### III. Give Top Priority to Reform, and Make Reform and Construction Suit and Promote Each Other

During the Seventh 5-Year Plan period, we will adopt the principle of being steadfast and prudent in line with the unified arrangement of the state, and will vigorously promote the reform of the entire economic structure with stress on the urban economy in order to lay a foundation for the socialist economic structure with the Chinese characteristics and with full vitality in 5 years or beyond.

We should further invigorate enterprises, the state-run large and medium-sized enterprises in particular. We should create external conditions for invigorating enterprises. We should continue to conscientiously implement the pertinent policies, stipulations, and measures of the State Council and the province, should further streamline administrative procedures and delegate more powers to lower levels, should appropriately reduce the mandatory plans of enterprises, should resolutely reduce the intermediate layers, and should truly delegate due powers to enterprises to manage and operate their businesses. We should grant tax exemptions and reductions to enterprises, enhance the depreciation rate, increase floating funds, and resolutely check the practices of levying unwarranted extra fees and collecting excessive funds from enterprises. At the same time, we should continue to deepen the reform in various fields of enterprises, improve the system of charging plant directors (managers) with full responsibility, implement various forms of economic responsibility system, and reform the bonus and labor systems of enterprises so that enterprises will have the ability to conduct self-accumulation, self-renovation, and self-development. In the course of adopting measures to invigorate enterprises and outside enterprises, we should further define the responsibilities of enterprises. Along with the deepening of reform, we should gradually intensify the work of letting enterprise assume sole responsibility for their profits or losses. As of the end of the Seventh 5-Year Plan period, we should attain the state demand of enabling the majority of enterprises to actually become the socialist commodity producers and managers which are relatively independent, have the decisionmaking powers in management, and assume sole responsibility for their profits or losses.

We should vigorously develop lateral economic cooperation. During the Seventh 5-Year Plan period, the major orientation for developing lateral economic cooperation is as follows: Through developing multilayered, multichanneled, and diversified lateral cooperation between our province and other provinces, between ministries and our province, and between different places in our province, we should form a new-style economic association organization, and gradually develop a number of associations of enterprises. We should further promote the integration between science, technology, and production. Industrial, agricultural, forest, and commercial enterprises, town and township enterprises in particular, should conduct specialized cooperation with universities, colleges, and scientific research institutes. We should develop scientific research and production associations. We should actively import funds from other provinces to establish a number of joint-venture, cooperative, and compensatory trade enterprises, and should import advanced technologies, equipment, and competent persons to renovate and improve the quality of some key enterprises and projects. We should expand the exchange of goods, and make up for the deficiency of production means and consumption means. We should strive to develop regional economic cooperation, and build up the central economic zone with Harbin city as the center and the southeast economic zone with Mudanjiang City as the center on the basis of the existing northwest economic zone with Qiqihar City as the center and the east economic

zone with Jiamusi City as the center, in order to form an integrated cooperation network linking all localities in the province. We should fully exploit the multipurposed function of central cities, gradually improve the system under which cities lead counties, and strengthen the attraction and influence of central cities, in order to promote lateral economic cooperation. At present, our province's cooperation projects should be focused on building the agricultural products base, the mineral resources base, and the industrial products base, on strengthening the weak links in economic development, such as the shortage of power supply, transport means, postal and telecommunications services, geological prospecting, and raw materials, on enhancing the self-reliance ability of border, and mountainous cities and counties as well as poverty-stricken counties, and on improving the quality and economic efficiency of enterprises. We should strive to basically form a pattern of lateral economic cooperation which has goals, priorities, harmony, and various forms. We should give encouragement to cooperation in politics, guarantee cooperation with laws, change those regulations, systems, and superstructures which are harmful to cooperation, and eliminate obstructions to a lateral economic cooperation. In accordance with the relevant regulations of the state, we should relax the restrictions of the policies on investment, tax revenue, finance, industrial and commercial management, and transportation, and clearly define economic cooperative organizations' authority for examination and approval. We should bring lateral cooperation into line with the economic and social development plan; define priorities and give guidance to develop lateral cooperation; and link macroeconomic results with microeconomic results to ceaselessly promote expansion of cooperation fields in accordance with the principle of "developing favorable conditions and avoiding weakness, developing different types of cooperation, and simultaneous making progress on a mutually beneficial basis."

We should further develop socialist commodity markets and gradually perfect the market system. During the Seventh 5-Year Plan period, we should further reform the commodity circulation system, enthusiastically explore ways for developing new commercial trades, make efforts to open up multifarious and coordinated markets, and gradually set up circulation networks linking urban areas with rural areas and linking all parts of the province. We should continue to expand consumer goods markets, rationally readjust the social commodity structure, bring into full play the major role of state commerce in the circulation field, and develop collective and individual commerces and service trade in a planned and enthusiastic way. In enthusiastically developing new commercial channels, we should set up new commercial trades such as industrial-agricultural, agricultural-commercial, agricultural-industrial-commercial, and commercial-commercial trades, and trades jointly operated by different regions or different sectors of ownership. The wholesale commercial system should be further rationalized. Trade centers of various types should be well organized. Supply and marketing cooperatives should be built into commercial centers in service of the peasants as well as centers comprehensively serving the rural areas. State Commerce should bring into full play its dominant role in the circulation field in order to further enliven commodity exchange between urban and rural areas and to conscientiously

solve difficulties in purchasing and marketing commodities. We should further open up markets for means of production, gradually reduce the varieties and quantities of materials and goods whose distribution is arranged according to mandatory planning, gradually reduce the proportion of commodities whose prices are fixed under the state unified plan, rationalize the prices of means of production, and narrow the parties between the state unified prices and market prices. We should further organize technological markets well and expand transaction and service fields. The establishment and improvement of the socialist market system hinge on the reform of the price system and the price management system. According to the state plan, we should solve in a planned and step-by-step manner the problems concerning the prices of means of production, such as energy resources and raw materials on the low side; study and fix reasonable prices for renting or selling houses; and define labor service charges. Through reform, we should ensure the preliminary elimination of prominent contradictions in commodity prices, rationalization of the price ratios between different commodities and of the party prices, and making state fixed prices, prices fixed according to state guidance planning, and market regulation prices acutely reflect the changes in commodity value and market supplies. With regard to carrying out price reform, we should take into full consideration the bearing capacity of finance, enterprises, and consumers in an effort to maintain general stability of market prices. Simultaneously, we should strengthen the management of industrial and commercial administration, tax revenue, goods prices and legal system among different types of markets in order to safeguard legal business activities and ban illegal ones.

We should gradually set up a system of regulating macroeconomy on a mutually coordinated basis and improve ability in making indirect control. In order to suit the demands of planned commodity economy, we should shift the focus of the planning system reform from the realization of mandatory planning to the realization of guidance planning, from an annual plan to mid- and long-term plans, from quantity of material objects to quality of material objects, from administrative means to economic and legal means, and from specific organization of production and supplies to control and regulation of overall demands. Through bringing into play the functions of credit, interest rate and exchange rate of banks in regulating economic operation, we should strengthen the key functions of banks in managing the macroeconomy. Along with the changes in the state economic management methods and the state functions for economic management, we should change the functions of the economic management organs under the governments at all levels, strengthen and perfect the organs in charge of the overall economic work and the administrative and supervisory organs, and reduce the administrative organs in service of certain products and trades. We should strengthen economic legislation and economic judiciary, perfect economic supervision, set up economic information networks and economic calculation departments, and gradually improve the indirect control system.

In carrying out the economic structural reform focusing on the urban areas, we should attach importance to the reforms of the scientific and technological, and the educational structures, and make a success of them. In the reform of the scientific and technological structure, we should reform the fund appropriation system in an all-round manner, exercise unified



control over the different categories of the operating funds of scientific research organs, and widely apply the technology contract system so that they can realize economic independence at an early date. We should actively develop technology trade and turn technological results into commodities. We should also successfully reform the professional title system, and enforce step by step the system of professional and technical job designations. In the reform of the educational structure, schools' decisionmaking power should be expanded and the educational structure should be readjusted on the basis that the overall control is exercised. The education ideas, methods, and contents incompatible with socialist modernization should also be reformed correspondingly so that schools of various categories at various levels can take the initiative in suiting the multifaceted needs in economic and social development.

The rural economic reform should be continued more thoroughly. We should consolidate and improve the double-layer operational system integrating unified operation with decentralized household operation, develop and improve regional cooperative economic organizations on the premise of upholding the household output-related contract responsibility system, and lead the peasants in establishing new types of cooperative economic organizations, and various forms of economic associations on the basis of voluntary participation. We should uphold and continuously improve grain and hog contract purchasing system, and the vegetable contract purchasing system in large and medium-sized cities, guide the peasants to arrange production in line with the state plan and market demands, suit the purchasing contracts to the needs of society, and maintain the solemnity of the fulfillment of contracts. Enterprises that use farm products as raw materials should render multifaceted services to peasants, sign contracts with them on the principle of mutual benefit and interests sharing, and give guidance to and promote their production.

The Seventh 5-Year Plan period is a crucial period for the economic structural reform as a whole. This reform, which is focused on urban areas, represents a revolution to change the old system to a new one, and a complicated social systems engineering. Many questions on both theory and practice are waiting for our answers through further exploration, and because we do not have ready-made experiences to make use of, all we can do is to put things into practice, make explorations, and sum up experiences simultaneously. Therefore, we should have full mental preparations, and should never adopt a wait-and-see attitude, hesitate, or stop halfway due to new situations or some errors. At the same time, we should be prudent and steady when taking actual steps, and conduct more investigations, study, previous experiments. As reform represents the fundamental interests of the people, all localities, departments, and enterprises should understand the importance of taking both immediate and long-term interests, and both partial and overall interests into account when carrying out reform, and take the initiative in fostering the idea of overall interests. In short, during the entire Seventh 5-Year Plan period, we must carry forward the spirit of making explorations vigorously and pioneering the way of advancement, unswervingly push reform forward, and enable reform and development to correspond with and promote each other.

## Greatly Strengthen the Building of the Socialist Spiritual Civilization, and Democracy and Legality

During the Seventh 5-Year Plan period, we should greatly strengthen the building of the socialist spiritual civilization, and democracy and legality in order that the masses of staff members and workers, and more and more people can become socialist new people with ideals, morality, education and a sense of discipline; a fundamental improvement in social order and public security can be achieved as early as possible; and the lively political situation characterized by stability and unity can be consolidated and developed.

We should greatly strengthen and improve ideological and political work. In the new situation of reform, opening to the outside world, and enlivening the domestic economy, we should greatly strengthen and improve ideological and political work to unify the people's ideas, will, and action in line with the party's line and ensure the sound development of economic construction and the economic structural reform. We should consider the current education on ideals, morality, culture, and discipline as a central task and basic content of the ideological and political work for a considerably long period of time in the future. In conducting this education, we should combine it with the study of the basic Marxist theory, and with the education on patriotism and collectivism, with the education on the current situation and professional ethics, enable the broad masses of staff members and workers to foster the lofty communist ideals, adhere to the four basic principles, consciously resist the corrosive influence of the decadent capitalist and feudalism ideology, create first-grade work, produce first-grade products, and strive to make first-grade contributions with political zeal and the spirit of selfless dedication. We should pay great attention to youth ideological education. School, social, and family education should be closely coordinated. We should lead the people in inheriting the fine traditions of the Chinese nation, gradually foster a revolutionary outlook on life and a scientific world outlook, and train them as successors of the socialist modernization undertakings. The ideological and cultural departments and their personnel are shouldering very important missions in building the spiritual civilization. They should make greater contributions to spiritual civilization with a strong sense of socialist responsibility and outstanding performance.

We should continue to check unhealthy trends. Governments at all levels, various administrative organs, and all trades and professions should implement the various stipulations of the CPC Central Committee, and the State Council on checking unhealthy trends, and conscientiously check malpractices. Leading comrades of the governments at all levels should serve as examples, and be good models. It is necessary to investigate and handle major and appalling cases, follow and observe laws strictly, punish law violators, and resolutely struggle against the unhealthy trends in violation of state policies and decrees. We should check unhealthy trends on all fronts and in all trades and professions in a planned and step-by-step manner, and resolutely stop the unlawful acts of abusing one's power and position to make things difficult

for the people and of giving and accepting bribes. We should strive to raise the moral standards of cadres and workers, foster the idea of wholeheartedly serving the people and of good professional ethics, win the trust of the broad masses of people, and promote improvement in social conduct.

We should deeply and persistently carry out activities on building civilized units. Building civilized units is one of the effective measures for implementing the policy of simultaneously grasping the two civilizations in the grassroots levels. We should carry out these activities in a down-to-earth manner. The governments at all levels should formulate an overall plan for grasping the two civilizations, formulate specific objectives and measures for guaranteeing the strengthening of spiritual civilization in their own localities and departments while formulating the Seventh 5-Year Plan and the fiscal plans, unceasingly sum up and publicize the experiences in grasping the two civilizations, promote such activities in each and every corner of the urban and rural areas, and realistically achieve the goal of assigning "the two tasks" simultaneously, shouldering "the two heavy burdens" simultaneously, achieving "success in two fields" and building the "two civilizations" simultaneously.

We should actively develop all social and cultural undertakings. During the Seventh 5-Year Plan period, we should build various groups of cultural and sports facilities in different periods, improve the mass media, and deeply carry out cultural and sports activities among the masses. The press, publication, broadcast, television, cultural, and art departments should adhere to the orientation of serving socialist construction and the people, implement the "double hundred" policy, correctly handle the relationships between economic results and social benefit, attach prime importance to the latter, and provide more and better spiritual products.

We should further promote socialist democracy and improve the socialist legal system. While carrying out the four modernizations, we should grasp construction on one hand and the legal system on the other. The building of democracy and the legal system is a guarantee for building the "two civilizations." We should deeply conduct education on democracy and the legal system among the people throughout the province, persist in unswervingly popularizing legal knowledge, and enable the broad masses of cadres and the people to understand and observe the law, to manage things according to the law, and to correctly exercise their democratic rights. We should grasp the legislation work, the economic legislation in particular, and gradually provide laws for various economic activities to follow. Once they are promulgated, all items of legislation should be implemented conscientiously in order to attain the goal of strict law enforcement, including the punishment of law breakers. We should adhere to the people's democratic dictatorship, deal strict blows to serious criminal offenses and economic crimes, and resolutely check and ban all the ugly phenomena which harm the social conduct. We should strengthen

leadership, depend on the forces in all fields, apply various means to achieve success in the comprehensive administration over public security and to guarantee social stability, and create a good social environment for the reform, the work of opening up to the outside world, the invigoration of enterprises, and the building of spiritual civilization.

We should strengthen and improve the government work. People's governments at all levels are organs to execute the Seventh 5-Year Plan, are organizers of the building of material and spiritual civilizations, and shoulder the important mission of ensuring the successful implementation of the Seventh 5-Year Plan. We must constantly intensify the building of political power, and actually build the town and township political power well. Working personnel of governments at all levels should firmly foster the idea of wholeheartedly serving the people, and should actually and genuinely serve the grassroots areas, the people, and production. They should strive to study the basic theory of Marxism, study modern scientific knowledge and management experiences, raise their ability to make scientific policies and decisions and to assume responsibility for the overall situation, adhere to the ideological line of seeking truth from facts, and go deep into reality to conduct investigation and study. They should resolutely eliminate the corrupt bureaucratic habits, improve work methods and work style, raise work efficiency, maintain close ties with the vast number of the masses, listen to the masses' opinions and voice, consciously accept the supervision from people's congresses, and serve as a faithful representative of the people's interests. They should carry forward the fine tradition of being honest in performing one's official duties, being devoted to one's duties, uttering no idle talk, doing more solid jobs, struggling arduously, and building up the country through thrift and hard work, in order to live up to the expectations of the party, the state, and the people.

We should further strengthen the unity between the army and the government and between the army and the people, should further enhance the mass unity among workers, peasants, intellectuals, laborers, and patriotic figures, should develop and expand the patriotic and united fronts, should rally all forces which can be rallied, should mobilize all positive factors, and should consolidate and develop the political situation in which unity and stability go hand in hand with liveliness and vitality.

Fellow deputies:

The fighting goals of the province's Seventh 5-Year Plan are magnificent, and present an encouraging and bright prospect to the people throughout the province. After completing the Seventh 5-Year Plan, we will be able to basically rationalize the relationships between various economic sectors, and make great progress in changing the old model of economic structure to a new one. Our economic strength and scientific and technical levels will witness a marked improvement; the entire national economy will embark on the road of a benign cycle with efficiency and vitality; and living standards of the urban and

rural people will be further raised. By that time, our province's economic and social development will enter a new stage, and we will be more confident in comprehensively attaining the great goal by the end of the century. At present, the province's political and economic situation is very good. Our province has extremely rich natural resources which need further development, has solid economic and technical foundations, and has a mighty contingent of scientific and technological workers. The leading bodies of governments at all levels have been strengthened and improved; the people throughout the province have accumulated many valuable experiences in opening a new situation in socialist modernization drive; and the political situation of stability and unity is under consolidation and development. All these situations have provided a fine social environment for the fulfillment of the Seventh 5-Year Plan. Therefore, we are fully confident in completing this glorious historical task. I hope that workers, peasants, intellectuals, cadres at all levels, the PLA commanders and fighters, public security, political and legal cadres and policemen, democratic parties, people's groups, and nonparty figures throughout the province, will unite as one under the leadership of the CPC Central Committee, the State Council, and the provincial CPC Committee, will conscientiously implement the resolutions adopted by the Fourth Session of the Sixth NPC, will carry forward the spirit of the old foolish man who removed the mountains, will adhere to reform and hard work, and will strive for the comprehensive fulfillment of the Seventh 5-Year Plan and for the vigorous economic development in the 1990's!

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PROVINCIAL AFFAIRS

HEILONGJIANG VICE GOVERNOR ON 1986 DEVELOPMENT PLAN

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[Report on the 1986 Heilongjiang Provincial Economic and Social Development Draft Plan Given by Vice Governor Liu Zhongli at the Fourth Session of the Sixth Heilongjiang Provincial People's Congress on 21 May]

[Text] Fellow deputies:

Entrusted by the provincial People's Government, I now submit a report on the province's 1986 economic and social development draft plan to the present session. As for the fulfillment of the 1985 economic and social development plan, Governor Hou Jie has already mentioned it in a report. I will not give further details. The 1986 draft plan was formulated in accordance with the guidelines of the proposal of the CPC Central Committee on the formulation of the Seventh 5-Year Plan and the planned targets for the province's production and construction which the national planning conference assigned to our province early this year, and in line with the province's actual situation. This plan had been discussed at the provincial planning and economic work conference held last February. After the conference, some targets had been revised. I now submit a report on the major points of this draft plan for discussion by the present session.

In line with the requirements set for the first 2 years of the Seventh 5-Year Plan by the CPC Central Committee and the State Council, and with the province's actual situation, the province's major tasks in the plan for 1986 are: We should "consolidate, assimilate, supplement, and improve" the reform measures in practice, prepare to make new steps in the reform in the next 2 years, continue to implement the strategic principle of the provincial CPC Committee on reforming systems, transforming technology, opening to other provinces and foreign countries, and developing natural resources, products, and competent personnel, and making the country and the people prosperous, actively promote lateral economic cooperation among various localities and departments, and keep a sustained and steady increase in industrial and agricultural production; conscientiously readjust the investment structure on the premise of strictly controlling the scope of investment in fixed assets, and strengthen basic industry and the building of infrastructure, accelerate the development of competent personnel, and actively promote technological progress; actively increase the production of salable products for the market, strive to expand foreign trade



and export, invigorate the market and increase foreign exchange earnings; improve and strengthen enterprise management, raise quality, reduce consumption, and strive to achieve better economic results; and give simultaneous consideration to the interests of the state, the collective, and the individuals along with the development in production, and properly arrange for the people's livelihood. While actively promoting the material civilization, we should make continued and strenuous efforts to build spiritual civilization.

The specific tasks and major targets in the 1986 plan are listed as follows:

1. While ensuring the growth of grain production in the agricultural sector, we should actively develop diversified undertakings, and strive to realize the demands of the provincial CPC Committee on "restoring production immediately after a year of disaster."

Under the draft plan, the total agricultural output of 1986 should be valued at 10.97 billion yuan (excluding village-run industry), up 5 percent over the previous year (including 7.3 percent from village-run industry). Under the plan, the total grain output should be 33.5 billion jin.

In crop farming, this year's planned sowing acreage should be 131.5 million mu, up 2.77 million mu over the previous year. Of this, the sowing acreage of grain, soybeans, and tuber should be 108 million mu, basically maintaining last year's level. Of the sowing acreage of grain, soybean, and tuber, the planned paddy rice sowing acreage should be 7.4 million mu, up 1.555 million mu over the previous year, or an increase of 26.6 percent; the planned sowing acreage of corn should be 28 million mu, up 4.351 million mu over the previous year, or an increase of 18.4 percent. The planned soybeans sowing acreage should be 28.3 million mu.

Cash crop farming should be carried out in line with the processing capacity and market needs and the needs of foreign trade and export. Under the plan, this year, the area sown to beets should be 5.5 million mu, to flax, 1.04 million mu, and to flue-cured tobacco, 600,000 mu.

Under the plan, this year's vegetable farming areas should reach 4.1 million mu. The vegetable planting areas in the city outskirts should be guaranteed and should account for some 60 percent of their total farming acreage.

In forestry production, we plan to afforest 5 million mu this year. It is necessary to strengthen management of trees to guarantee their survival.

In animal husbandry, the number of draught animals is planned to reach 3.2 million this year, an increase of 144,000 over the previous year. The number of milk cows in stock will reach 300,000, 42,000 more than in the previous year; the number of hogs in stock will be 7.2 million, an increase of 1.26 million over the previous year, and the number of hogs slaughtered will be 4.8 million, an increase of 900,000; and the number of sheep in stock will reach 3 million, 703,000 more than in the previous year. Effective measures should be adopted to fulfill this year's hog and sheep production targets.

Judging from the agricultural production in the first 5 months of this year, it is possible for us to fulfill the various agricultural targets for this year, and to "restore the production to the pre-disaster level within 1 year of the disasters." However, some problems still remain. They include: waterlogged areas are rather many in the eastern part of the province and the sowing period is delayed in a few localities because of the low temperatures this spring and last year's large-scale floods; a great amount of funds is needed in popularizing corn seedling breeding and transplantation in large areas, and in breeding paddyrice seedlings on dry land, and sparse planting; the price ratios between different crops are irrational and, in particular, some problems have arisen in deciding on the farming acreage of corn, beets, and flax after the readjustment of the soybean price; the peasants have invested less in agriculture, and land fertility has declined. Because of the successive disasters in some localities over the past few years; and many difficulties in production and the people's lives remain in some localities heavily stricken by disasters. The provincial government has adopted some policies and measures in a timely manner to counter the above-mentioned problems.

First, it has readjusted the purchasing prices of some farm products. In order to rationalize the price ratios between different crops, the state has readjusted the soybean purchasing prices, and the provincial government has also correspondingly readjusted the purchasing prices of beets, flax, milk, and sheep wool, thus effectively facilitating the fulfillment of agricultural plans. In order to enable the peasants to gain more benefit, direct sales and purchases between the peasants and plants were introduced in the marketing of such farm products as sheep wool and flax to reduce the intermediate links, thus promoting the rural commodity production.

Judging from the contracts signed by various departments and the peasants, this year's agricultural plans were decided quite successfully. According to preliminary statistics, 5.3 million mu of beet-growing areas, more than 1 million mu of flax-growing areas, and about 600,000 mu of flue-cured tobacco areas have been defined, which can basically satisfy the needs in industrial production and export. The contracts signed by the various units and departments with the peasants must be honored. Leading persons at all levels have attached great importance to vegetable production. With regard to vegetable production, all large and medium-sized cities have adopted the method of attending to the state vegetable planting plans of the outskirts areas, expanding those of the middle suburbs, and developing those of the outer suburbs to improve urban vegetable supply with utmost efforts.

Second, greatest efforts have been made in increasing the agricultural input. Under the circumstances of strained fund supply, this year's operating funds for agriculture and funds to support agriculture are planned to increase by 30 million yuan over the previous year, budgetary agricultural investment will be 5 million yuan more than in the previous year, the funds appropriated by financial departments and banks for use in transplanting corn seedlings and in breeding paddyrice seedlings on dry land and sparse planting will be 60 to 70 million yuan, and the funds allocated by the state for grain production will be 22 million yuan. In order to ensure spring farming and enable the peasants to farm their land successfully, the state has decided to reduce the prices of



fertilizers produced by local small plants and let the state and local financial departments subsidize the deficits resulting from the price reduction. The provincial government has also drawn 10 million yuan from the foreign exchange it is entitled to retain thanks to the reduction of deficits to make up for the shortage of spring farming funds of disaster-stricken areas. In order to keep farm machines and tools in good maintenance and conduct overhauls of caterpillar-track tractors, the provincial and county financial departments have restored the method of issuing a subsidy of 1,125 yuan for every tractor. In extending loans for purchasing seeds, fertilizer, and fuel oil, priority has been given to areas heavily stricken by disasters. Tax reduction or exemption have been granted to disaster-afflicted people who engage in labor or business, and funds have been allocated on a priority basis for them to repair small water conservation works. At the same time, the supply of the means of production and the means of subsistence urgently needed in rural areas has been vigorously organized to ensure the smooth progress of spring farming.

Third, we should strengthen the construction of water conservancy works. This year, we should continue to grasp the work of providing grains, cotton, and clothes in exchange for equivalent labor on repairing and building rural roads, to complete the small-sized water conservancy works, and to make the most of the water conservancy works as soon as possible. Regional cooperative organizations should set up and improve the labor accumulation system and the system of cultivating soil fertility; and strengthen agricultural infrastructural projects in an organized, planned, and persistent manner to enhance our capacity of combatting natural disasters.

With regard to expanding the construction of commodity grain bases, this year, the province plans to build three soybean production bases in Binxian, Fujin, and Baoqing Counties on the premise that six commodity grain production bases were built during the Sixth 5-Year Plan period. By 1990, the province should build grain and soybean production bases in 30 counties and 50 farms.

Fourth, we should further improve the system of rural cooperative economy. In accordance with the guidelines of the central authorities' Document No 1 of this year, we should vigorously advocate the construction of regionally cooperative and economic organizations; rationally manage and use natural resources; grasp the work of signing and fulfilling various kinds of contracts; do a good job in managing village-run enterprises; open up new production items; organize forces to comprehensively develop agricultural machinery, water conservancy projects, improved varieties of crops, food processing, purchasing and marketing, and financial work; develop contacts with other places; support the consolidation and development of specialized households and economic cooperatives; organize collective and public welfare undertakings; and help the poverty-stricken households extricate themselves from poverty and seek prosperity.

Fifth, we should organize all professions and trades to vigorously support agricultural production. During the spring ploughing period, power departments should provide 250,000 kwh more electricity for agricultural use every day in order to meet the demands of irrigation and drainage; banking, commercial, and supply departments should conscientiously ensure the supplies of funds and materials for agricultural use and give priority to the rural areas with regard

to supplying the goods and materials which are in short supply in both urban and rural areas; scientific and technological departments should enthusiastically improve and popularize improved varieties of crops and upgrade the level of applying scientific methods to farming; and cadres at the provincial, prefectural, and county levels should be organized and transferred to the rural areas to help the peasants achieve spring farming. The provincial government have transferred 300 cadres from provincial-level organs to town and township enterprises to help improve work in an effort to facilitate the development of town and township enterprises.

We should maintain a proper industrial growth rate on the basis of persistently and ceaselessly improving economic results.

The draft plan has arranged that the total industrial output value in 1986 should reach 38.89 billion yuan (including the output value realized by the industry at or below the village level), an increase of 7 percent over that of 1985. Of this, the output value realized by both light and heavy industries should increase by 7 percent.

The output of 72 products is covered by the province's 1986 industrial production plan. Of these, 36 products are covered by the mandatory plan, accounting for 50 percent of the industrial production plan; and the output of 39 products should increase, accounting for 54.2 percent of the total.

With regard to the output of energy resources, this year, we should continue to maintain a high and stable production of crude oil on the premise that we would fulfill the state-assigned target for producing 55 million tons of crude oil. The output of raw coal is targeted at 60.55 million tons. Of this, the collieries whose products are distributed under the provincial unified plan should produce 42.55 million tons of raw coal and the local collieries should produce 18 million tons of raw coal. Due to the restriction of the railway transportation capacity, this year, local mines must persist in the principle of "fixing output quotas in accordance with transportation capacity and marketing situation." They are allowed to make essential readjustment of the output quotas in accordance with their transportation capacity in order to avoid losses. Electric energy production is targeted for 19.25 billion kwh, an increase of 3.2 percent over that of 1985.

Output of steel assigned by the state to our province is planned at 760,000 tons; rolled steel, 600,000 tons; gold, 3,656 kg; cement, 4.1 million tons; and plate glass, 2 million to 2.3 million boxes.

The state assigned 21 targets on the production of consumer goods to our province. Except for the targets on chemical fibers, cigarettes, and newsprints which are applied to mandatory planning, the other 18 targets will all come under the guidance planning.

In terms of transportation and communication, the railway transportation volume is planned at 135 million tons, a 2.6-percent increase over the previous year, and the cargo transportation volume of vehicles is planned at 86.3 million tons, a 4-percent increase over the previous year.

Viewing the implementation of the industrial production targets for the first 4 months, we can see that some achievements were scored. First, the state-run budgetary enterprises at localities completed their production targets in a fairly good manner. Comparing with the corresponding period in 1985, the total industrial output value increased by 3.7 percent. Second, targets for output of major products were fulfilled in a relatively good manner, and output of coal, petroleum, timber, gold, iron and steel, and electricity increased somewhat over the corresponding 1985 period. Third, the targets on products for export were completed in a relatively good manner. The volume of commodities procured for export increased by 2.3 percent over the corresponding 1985 period, and the total local export volume increased by 25.8 percent. However, viewing the growth rate of the entire industry, we can see that we failed to meet the demand of the planned growth rate. Comparing with the corresponding period in last year, industrial production increased by 5.4 percent in January, increased by 0.3 percent in February, declined by 0.4 percent in March, increased by 1 percent in April, and increased by 1.7 percent accumulately from January to April, lower than the historical growth rate of the province and the average national growth rate. There are many reasons for this situation. Objectively, this resulted from the shortage of electricity, raw materials, and funds. But, this mainly resulted from the fact that some economic departments and enterprises have had onesided understanding of the control over the overly rapid growth rate, have relaxed the organizational leadership over production, and have, in particular, lacked spiritual preparations and emergency measures for dealing with the new situations and problems which emerged after the state adopted a series of measures for exercising macroeconomic control. In addition, affected by the industrial structure, the crude oil, forest industrial, and some other major trades implemented stable production, thus slowing down the growth rate of industrial production this year. The problems in the current industrial production have already attracted the attention of governments at all levels. The provincial People's Government has conducted discussions and made arrangements for these problems on many occasions, and have adopted some effective measures. Since April, the situation in industrial production has begun to turn for the better. It is estimated that in May, industrial production will pick up greatly. Viewing the trend of the current industrial development, we can see that through several years of hard work, we will be able to attain the target of affecting a 7 percent increase. To fulfill the industrial production targets for 1986 we will adopt the following major measures:

First, we will strive to increase the production of those products which are readily marketable, in order to satisfy the needs of markets.

We should give support to the production of those products, which are readily marketable, guaranteed in quality, and have good economic results, in the fields of energy, raw materials, and fund supply, and should try every possible means to increase the production of such products. We should give prominence to increasing the production of such brand-name products as color television, electric refrigerators, washing machines, woollen goods, and good-quality cigarette and wine, and the production of readily marketable products. To meet the demand of markets and withdraw currency from circulation, the provincial Planning Commission has worked out plans for increasing the production of 50 products, including paper, garment cloths, and the people's daily necessities. Fulfillment of these plans will add output value by 500 million yuan and withdraw more than 400 million yuan of currency from circulation.

Second, we should conduct activities on tapping the potential of enterprises in an effort to increase income and continue to raise economic results. A considerable great number of enterprises in the province have produced poor quality products and their material consumption has been high and the turnover period for funds slow. The fuel, power, and raw materials consumption of some industries has accounted for some 85 percent of their total cost of products. We have a great potential for cutting down such consumption. Through tapping the internal potential of enterprises and promoting technological progress, we can strengthen the ability of enterprises to digest technology and to tap their tremendous hidden potential. We should help enterprises reduce production cost and increase income. In this regard, this year, we should continue to promote the experiences of Mudanjiang City in "making two calculations and tapping potentials in 10 fields," and that of Jiamusi City in "tapping potential from 10 fields and earning money from 10 fields," and bring about a province-wide campaign on tapping potential and increasing income among the masses. While carrying out such a campaign, the responsible economic departments at all levels should organize enterprises to compare their targets with the advanced enterprises of the same trade, to find out where they are lagging behind, and to formulate measures for improvement. We should give fewer investment but strive to yield more and exert efforts to raise the quality of enterprises and to improve their economic results.

Third, we should realistically grasp power production, communications, and transport. Electric power and transport are the two prominent sectors restricting the current economic development. This year, although we have increased power supply, the strained situation will continue. This winter, power shortage will be more serious than any years of the past. In order to ease the contradictions, we should resolutely implement the principle of increasing production and saving power simultaneously, and strive to achieve the aim of using and saving electric power in a planned manner. We should realistically strengthen management over power plants, maintain the equipment of new and outdated power plants, keep the equipment in good operation, and ensure that the power plants will generate power steadily and in full capacity. We should adopt policies to encourage the localities and enterprises to set up their own power plants. We should concentrate efforts on ensuring the operation of the No 1 power generating units of the No 3 Harbin Power Plant in an effort to increase power output. While striving to increase power output, we should also exert effort to save power and to guarantee the fulfillment of this year's power saving plan. Under the present strained transportation situation, we should fully tap the potential of the transportation industry, and give priority to transporting key materials. In improving transportation facilities, we should focus our work on reform and readjusting the transportation structure, and rationally organize and conscientiously grasp the work of sharing the passenger and freight transportation tasks to railways, highways, and waterways. This year, we should strive to make the freight volume reach 4.5 million tons or 5 million tons by means of railways, highways, and waterways, in order to ease the strained situation in railway transportation.

Fourth, we should continue to improve and implement the economic contract responsibility system. Years of experiences have shown that promoting all effective economic contract responsibility system is an important measure for

mobilizing the enthusiasm of enterprises and workers in production, and guaranteeing the fulfillment of the annual plans. Since the beginning of this year, due to various factors, some localities have failed to timely fulfill the economic contracts signed last year and have failed to implement contracts this year. As a result, some enterprises do not have a driving force and pressure to keep them going. Such a situation must be changed rapidly. Recently, the provincial government has promulgated "regulations for distinguishing between the illegal economic activities and unhealthy trends of the local state-owned and collectively-owned industrial and commercial enterprises." The responsible economic departments at all levels should grasp the opportunity and sign economic contracts with enterprises in accordance with the government regulations. Enterprises should also clearly define their economic responsibility, mete out clear punishment and reward measures, boost the enthusiasm of enterprise cadres and the masses to the greatest extent, and make up for the production that should be carried out in the previous 4 months.

3. We should rationally readjust investment restructure on the premise of strictly controlling the overall scale of investment in fixed assets.

The 1986 state-assigned target for investment in fixed assets of state units across the province is 5,047 million yuan. Of this, the investment in capital construction is 3,977 million yuan (including 2,990 million yuan invested by the units attached to ministries and 987 million yuan invested by the localities), an increase of 16.7 percent over that of last year. The investment in local technological transformation is 1,070 million yuan, an increase of 20.9 percent over that of last year. Thirty-six large and medium-sized state capital construction projects are under construction throughout the province this year. Of this, 28 are continuing projects and 8 are new projects. Of the large and medium-sized projects, most are projects in the agricultural, energy resources, transportation, and raw materials industrial fields. The investment in these projects accounts for 85.6 percent of the total investment.

Investment in border construction is 26.25 million yuan. Of this, investment covered by the local budget is 16.25 million yuan, accounting for 15 percent of the total local budget; funds for technological measures are 2 million yuan; and the province has arranged 6 million yuan. [figures as published] These funds are concentratively used to conduct continuing projects and the projects that will soon be completed.

The state key technological transformation projects each involving more than 30 million yuan of investment should be carried out in our province this year. The investment in technological transformation and equipment renewal must really be used to conduct technological transformation and equipment renewal among enterprises but must not be used to carry out capital construction. We should concentrate technological transformation on upgrading the quality and functions of products, reducing consumption of goods and materials, enhancing the capacity of creating foreign exchange through exports, and increasing the production of readily marketable products. Strict restrictions must be imposed on expanding the capacity of producing products in full and excessive supply, the products with high energy consumption, and technologically backward products.



In order to control the scale of investment in fixed assets, we must attend to two tasks. First, we should resolutely control the scale of investment in fixed assets within state fixed quotas, but must never be allowed to surpass these quotas. Second, investment structure should be readjusted reasonably in accordance with the state assigned scale. We should place the stress on the latter on the premise that both would supplement each other. In accordance with the demands of the state plan, we should readjust the investment structure. First, we should reduce the proportion of investment in nonproductive construction. We should reduce the construction of office buildings, auditoriums, and hotels, excluding tourist facilities that should be constructed; appropriately control residential construction; and increase the construction of productive projects and the projects for professional use. The investment in nonproductive construction in 1986 should be reduced from 10 to 20 percent as compared with 1985. Second, we should reduce the proportion of investment in ordinary processing industries, and increase the investment in basic industry and construction of infrastructural projects in order to alleviate the strains on transportation and the shortage in energy resources and raw materials. In accordance with the province's actual conditions, the provincial government has decided to temporarily impose strict restrictions on the trades producing plastic, beer, white wine, sugar, and small steel-making and steel rolling industries with regard to expanding construction of plants and increasing processing capacity. The development of dairy, soft drink, wool spinning, flax spinning, and paper-making industries should be brought under control in a planned manner. With regard to the trades whose production should be carried out with licenses, they must not manufacture the products without approvals. From this year, we should also strengthen the management of extra-budgetary investment and enthusiastically concentrate this investment on key construction projects. We must take the whole situation into consideration in order to serve the demands of the state unified plan.

We should concentrate manpower and material and financial resources on guaranteeing the completion of state key projects. Controlling the scope of investment in fixed assets does not mean that we may stop building the projects which we should build or we may indefinitely delay the construction of projects covered in the state plan. The 36 large and medium-sized construction projects and the 10 above-norm key transformation projects, which the state has assigned to our province this year, must be completed with good quality and in accordance with the construction time and the rate of progress. The continuing projects which the state has decided to complete this year; the newly initiated energy and transport projects; the raw materials and basic industrial projects; the infrastructure projects, including the power construction projects such as the No 3 Harbin power plant, the Shyangyashan power plant, the No 2 Fulaerji power plant, the Harbin power plant, the Liangzihe power plant, the Jiamusi power plant and its power transmission and transformer projects; the railways construction projects such as the transformation projects of the double-tracking of Jinzhou and Binsui railways; the preparatory work for the first-stage construction of the Harbin railway hub such as the double-tracking railway extending from Mudanjiang to Linkou and the western part of Jixi; and the diversion railway project extending from Didao to Qitaihe, as well as the state key projects in various trades and professions, must be grasped with all-out efforts and be completed and commissioned on schedule.

4. We should properly arrange for commodity supply and basically stabilize commodity prices to cater to the needs of improving the people's livelihood.

Making good arrangements for market supply and stabilizing commodity prices are a major event in our economic life. We should make careful arrangements and strive to make it successful. Under the draft plan, the 1986 total retail sales of commodities should be 19.5 billion yuan, up 13 percent over the previous year. Thanks to the changes in markets and the diversified consumption trend, a new situation will emerge in this year's market supply. According to estimates, this year's purchasing power of the province will show an increase of 12 percent or so over the previous year. The difference between the purchasing power and the commodities available will be approximately 700 million to 800 million yuan. Judging from the major commodity supply, most of the commodities are in ample supply. Those in short supply are mainly expensive consumer goods and brand-name products. In order to cater to the new situation and to make proper arrangements for the markets, the commercial departments at all levels should clear the circulation channels of commodities, carry out trans-province cooperation, and properly import some commodities in short market supply, in order to supplement the deficiency in commodity supply and the difference between purchasing power and the supply of commodities. The industrial departments should know the market information in a timely manner, and, while making continued efforts to grasp the production of daily necessities, exert strenuous efforts to increase the production of brand-name products, quality products, and products that can find a ready market, to develop new product varieties and new products, and to open up new production avenues. Special attention should be paid to conscientiously organizing the supply of agricultural and sideline products, and the production and supply of nonstaple foods, including vegetables, pork, poultry, eggs, and milk. We should vigorously develop the catering and service trades in order to better serve the livelihood of the urban and rural people.

We should basically stabilize market prices. While carrying out this year's pricing work, we should conscientiously implement the policy of "consolidation, assimilation, supplement, and improvement, and implement the methods of responsibility for fulfilling targets, and of controlling the amount of money in order to basically stabilize the market prices. We should set price ceilings for products sold in the country trade fairs, and strictly control the general level of market prices. In 1986, we should strive to keep the average retail price index of the province within 6 percent (including last year's excess of 4 percent). Of this, the general retail price index of Harbin City should be kept within 7 percent, that of other large and medium-sized cities 6 percent, and that of counties 5 percent. The province and the governments at all levels should take charge of their own responsibility, contract the targets, and implement them. We should particularly grasp the management of prices of perishable commodities. The state commercial units should do their business vigorously and play a role in ensuring continuous supply and stable prices.

We should gradually improve the people's living standards on the basis of developing production. The total 1986 wage volume assigned by the state to our province's state-owned units is 4.233 billion yuan, an 8.5-percent increase over

the 1985 figure. The increased portion of the total wage volume will be used mainly to pay the increased benefit wage resulting from the wage reform of enterprises, as the "phase-in payment" resulting from the wage reform of stage organs and institutions last year, to issue the seniority subsidy, to pay the increased wages resulting from regular and necessary promotion in grade and rank, and to appropriately solve those conspicuous and unreasonable problems left over from the wage reform. The average wage of workers and staff members increased by 7.4 percent over the previous year. The provincial People's Government has adopted some policy measures for those units which have had difficulties in wage readjustment, thus solving problems for most of them. Along with the development of the rural economy, peasants' income will continue to log a substantial increase. It is estimated that this year the per-capita net income of the agricultural population will increase by about 6.3 percent over the previous year.

5. We should further expand export, and enhance the ability to earn foreign exchange.

The 1986 import and export targets assigned by the state to our province is \$640 million, a 21.6-percent increase over the previous year. Of this, the total volume of export is planned at \$521 million, a 26.5-percent increase over the previous year; and that of import, \$120 million, a 4.3-percent increase. The foreign capital to be utilized by the province is planned at \$48.84 million, up 95.4 percent over the previous year. To ensure the fulfillment of the export target, the province plans to supply 4 billion yuan worth of commodities for export. Except for the finished edible oil and corn, the amount of all other commodities to be supplied for export will increase substantially.

In line with the state demand, the 1986 targets on the total export volume and exports come under the mandatory planning. To fulfill the 1986 targets and successfully build the export bases, we adopt the following measures:

For the commodities which come under the mandatory planning and are listed in the 1986 plan on commodities supplied for export, the principle of "preference" will be applied. That is, the production departments should give priority to arranging for the production of such commodities in line with the plan, and should ensure the quality of such commodities. The raw materials, supplementary materials, packing materials, and energy resources needed to product such commodities should be supplied on a priority basis. The transport of export commodities should be arranged first. As for the agricultural and sideline products for exports which are covered by the mandatory planning, the production and supplies departments should organize production and processing in line with the plan, and the foreign trade departments should organize procurement in line with the plan. The foreign trade, production, and supplies departments should coordinate with one another, conscientiously implement contracts, and make concerted efforts to fulfill the task.

We should accelerate the building of the 10 major export commodities production bases, and provide sufficient commodities for foreign trade and export. Our province has not only the plentiful agricultural products resources, but also relatively advanced mechanical, electronic, light, and textile industries.

On the basis of consolidating the existing bases, we should gradually build up the production bases of agricultural products, foodstuffs, livestock products, mechanical and electronic products, textile products, light industrial products, timber, mineral products, building materials, and chemical industrial products. We should gradually change from mainly exporting raw materials and primary products to mainly exporting finished products and from mainly exporting the roughly processed products to mainly exporting the precision products.

We should implement the policy of encouraging export and earning of foreign exchange. Necessary rewards should be given to those localities, departments, and enterprises which have scored outstanding achievements in expanding export and increasing foreign exchange. Proper preferential treatment should be given to such localities, departments, and enterprises in the fields of pricing and taxation. At the same time, we should further improve the method on the sharing of foreign exchange earnings on the performance in export and earning of foreign exchange. Those localities, departments, and enterprises which have exported more commodities and earned more foreign exchange will be entitled to share and consume more foreign exchange earnings. In the utilization and management of foreign exchange earnings, priority should be given to arranging the imports of raw materials for industrial production and the agricultural production means. At the same time, proper arrangements should be given to the import of technologies for those enterprises which have earned more foreign exchange in order to raise the initiative of enterprises in producing export commodities and in earning more foreign exchange.

We should strengthen management over the supply of export products. We should rationally use economic and administrative means to manage the supply of goods for export in an effort to prevent the outflow of export goods.

We should strive to increase non-trade foreign exchange earnings and strengthen management over foreign exchange. Vigorous efforts should be made to develop tourism, the export of labor services and contracts for overseas projects, and strive to increase non-trade foreign exchange earnings. Meanwhile, we should strictly control the spending of foreign exchange and manage and utilize foreign exchange well. It is necessary to strictly control outgoing foreign visiting delegations or groups and their number of persons.

Further efforts should be made to consolidate and develop the international markets already in hand, and while exerting efforts to open up markets beyond the oceans, we should also carry out commodity-exchange trade with the Soviet Union and various Eastern European countries.

6. We should further develop education, science, culture, public health, and sports undertakings, and strenuously strengthen the socialist spiritual civilization.

In 1986, the state has tasked our province with enrolling 13,200 students into the regular higher educational schools, up 651 students over the previous year. Under the plan, some 17,327 students will be enrolled in secondary specialized schools. In this year's educational work, we should continue to popularize elementary education, proceed from the actual situation, actively create conditions, and implement the 9-year compulsory educational system in a step-by-step

manner. In secondary education, we should continue to readjust its structure, vigorously develop vocational technical education, and gradually establish a vocational technical educational system embracing primary and higher education and covering all trades and with a rational structure relating to regular education. We will not further expand the scope of the cadre and worker secondary specialized courses sponsored by the regular secondary specialized schools. We should encourage various units to independently or jointly run vocational technical schools badly needed in society. Large and medium-sized industrial and mining enterprises should tap potential and adopt measures to vigorously run all types of vocational technical schools. We should actively develop higher teacher's training education and attach prime importance to developing and replenishing the secondary teacher's training and preschool education. This year, we should appropriately cut the task of enrolling cadres to specialized courses sponsored by regular higher educational schools in order to increase the enrollment of senior middle school graduates. In principle, the higher teacher's training colleges and institutes will not run any specialized courses for cadres on behalf of the non-educational departments. The task of enrolling cadres to study in specialized courses should be undertaken by the higher educational schools for adults such as the schools for managerial cadres. This year, we should continue to readjust the structure of specialized courses in higher education, and properly increase enrollment in specialized schools for teacher's training, finance and economics, politics and law, light industry, chemical engineering, foreign language, and food processing. We should continue to enroll about 50 percent of the rural examinees below the township level to the provincial agricultural, forestry, medical, and teacher's training specialized schools and colleges.

We should raise funds from all quarters to improve the conditions for running schools. This year, the province's educational funds will increase 8.6 percent over the previous year, exceeding the growth rate of the province's financial revenue. The educational investment from the funds raised by the province will be 34.1 million yuan, accounting for 27.3 percent of the funds raised by the province.

This year, the province has raised funds from the localities and invested in subsidizing seven cities to change their double-shift system in primary and middle schools, and together with the investment proportionally shared by various cities, the problem of the double-shift system in some cities' primary and middle schools will be basically solved. In addition, the province has used its locally raised funds to invest 3 million yuan in subsidizing the building of primary and middle school staff dormitories in an effort to gradually improve the housing conditions of the primary and middle school staff and workers.

We should organize and mobilize cracked forces in the scientific and technological fields to carry out the plan for tackling scientific and technological problems during the Seventh 5-Year Plan period. This year the province will arrange 164 major items on scientific and technological development in 20 fields; and suggests popularizing 90 scientific and technological items of 10 large categories. Bids for these items have been invited at the provincial planning and economic conference. We should concentrate the arrangements of these items on



assimilating and absorbing imported technology, developing new products, popularizing and demonstrating new technologies, and conducting technological transformation in order to save energy resources, reduce consumption of raw materials, accelerate the upgrading and updating of products, upgrade product quality, and increase economic results. From this year we should carry out the spark plan to develop agriculture. We should focus on developing technologies for comprehensively utilizing biological resources and cultivating improved varieties of crops. Research departments, institutions of higher learning, and production enterprises should concentrate labor power and material and financial resources on extensively carrying out cooperation so that the enterprises will be able to apply the scientific and technological achievements immediately.

With regard to public health undertakings, we should further enhance the construction of key and specialized hospitals and continue to improve medical conditions in the border areas and in areas inhabited by minority peoples. Efforts should be made to achieve epidemic prevention, maternity and child care work, and prevention and treatment of endemic diseases. The province's population should be controlled within 33.81 million people by the end of this year according to the state-assigned plan. The birth rate should be 13.7 per thousand and the natural population growth rate should be 8.9 per thousand. In order to realize these targets, we should continue to carry out family planning work. While mobilizing the masses to carry out family planning work, we should help them solve practical problems and popularize scientific and technological knowledge on late childbearing and childbirth. We should strive to upgrade the political and ideological level and the artistic quality of such cultural undertakings as literature, art, broadcasting, movies, television, and the press and publications and strive to make contributions to upgrading the people's scientific and educational knowledge, enriching the people's cultural activities, and facilitating the construction of socialist spiritual civilization.

Nineteen eighty-six is the first year of the Seventh 5-Year Plan. Doing 1986 work solidly is the key to ensuring overall fulfillment of the tasks for 1986 and successful realization of the Seventh 5-Year Plan. So we must conscientiously achieve the following several tasks:

1. We should strengthen and improve macroeconomic management in order to ensure the sustained and stable development of the national economy.

In accordance with the demands of the state, in 1986 we should realize an overall balance between the general demands of society and the general supplies of society in order to ensure a stable economic increase. The key to realizing this is to strengthen and improve macroeconomic management. We should further achieve industrial and agricultural production. While improving the situation of supplies, we should effectively bring the excessive expansion of demand under control. We should achieve improvement of macroeconomic control and enliven the economy in order to facilitate the overall development of the province's economic and social undertakings.

We should strictly control the scale of investment in fixed assets. The 1986 state assigned target for investment in capital construction arranged by the

province is 450 million yuan. We must not surpass this target. We should conscientiously implement the relevant regulations of the State Council to strengthen management over capital construction and to arrange capital construction items strictly in accordance with procedures. In particular, restrictions must effectively be imposed on localities, departments, and enterprises with regard to raising funds to conduct capital construction. Funds for conducting capital construction can be used after being deposited in banks for 6 months. We must not be allowed to use bank loans to conduct capital construction. Strict restrictions must be imposed on new projects. New projects must be carried out under the circumstances where there are sufficient funds, materials, equipment, and construction forces, and that construction reports are formally approved by responsible departments. No projects can be started if conditions do not permit.

We should continue to control the growth of consumption funds. In addition to controlling the scale of investment in fixed assets and the scale of credit, we should strengthen wage and bonus management. We must adhere to gradually improving the people's living standards on the basis of developing production, and adhere to the principle of making the increase rate of the workers' average wage lower than the increase in the rate of labor productivity. To strengthen the management of the wage fund, this year we should continue to implement the method of different levels holding different responsibility for their total payroll. The target on the total payroll should be assigned to the grassroots units level by level, and banks should be assigned to strengthen the management of the wage fund in line with the plan and pertinent regulations. Except for a small number of state enterprises which continue to implement the method of basing their total payroll on their economic performance on a trial basis with the approval, the other state enterprises should continue to use a pay system that combines basic wages with bonuses before the state defines its new programs on the wage reform of state enterprises. Those state enterprises and institutions which give overly high wages and bonuses to their staff must pay a bonus tax and a wage regulatory tax in strict accordance with stipulations. The scale and amount of tax reductions and exemption among collective enterprises and town and township enterprises should be consolidated and investigated. We should continue to control institutional purchases, reduce administrative expenses, and strictly ban extravagance and waste.

The purpose of strengthening macroeconomic control is to ensure that the national economy will develop in a planned, proportional, sustained and steady manner, but not to exercise excessively rigid control over the economy. Therefore, we should not only seriously and conscientiously strengthen macroeconomic control but also should pay attention to studying how to improve macroeconomic control in order to exercise effective control over those issues which should be controlled and not to exercise arbitrary control over those which should not be controlled. An important principle for this work is to adhere to the principle of proceeding from reality and to resolutely avoid and guard against the situation of demanding uniformity in everything. Through reform and improvement of plans, finance, banking, and the goods and materials management systems, function, and methods, we should gradually change from mainly direct to mainly indirect control in management and gradually change from mainly depending on economic and legal means so that we can make the law of value and the economic

levers play a greater part in the national economy. Under the current situation in which prices have not yet been rationalized, the planning, financial, tax, pricing, banking, labor, and supply departments should pay special attention to flexibility in work. Except for those projects which run counter to the state basic policies and principles, all should be developed positively in line with actual conditions in order to make contributions to accelerating the province's economic development.

2. We should vigorously develop lateral economic integration and increase the economic efficiency of the whole society.

Lateral economic integration is an inexorable trend of the economic development and the structural reform, as well as an important way to rationally account for productivity and raise the economic efficiency of society, thus having extremely important significance to the province's economy. This year we should regard the vigorous development of lateral economic integration as the focus of economic work, and actually and unfailingly grasp this work.

We should vigorously develop integration between different enterprises. We should actively develop a coordinated and specialized association of production with brand-name and good-quality products as the leader and with key large and medium-sized enterprises as their supporter. We should also develop associations of enterprises which mainly engage in designing, production, marketing, and service for large and complete sets of products in order to gradually form a number of integrations and associations with diversified forms and scale and with competitiveness. Large enterprises should voluntarily spread their products and spare parts to medium-sized and small enterprises, and should support medium-sized and small enterprises to carry out specialized production. Medium-sized and small enterprises should persistently draw close to large enterprises, and voluntarily serve large enterprises. We should grasp technological information, improve technological means, and develop new products with the aid of key enterprises and higher learning institutions. We should combine lateral economic integration with the readjustment of the production structure and the development planning for various trades, and give prominence to grasping the integration of those trades and products which affect the overall economic situation. In particular, we should vigorously grasp the integration of superior products, highly competitive products, and foreign exchange-earning products. Through developing these products, we should give play to the superiority in natural resources and economy, gradually develop and expand some leading and mainstay industries, and form an economic structure with the province's characteristics.

We should vigorously organize integration between the urban and the rural areas, with large and medium-sized cities as the center, and attend to mutual aid work. We should continue to popularize Jiamusi City's experience in economic and technological cooperation which regard the "six-100" [liu ge yi bai 0362 0020 0001 4102] as the main content, and Mudanjiang City's experience of encouraging urban enterprises to help county and township enterprises in order to achieve common prosperity. Through lateral economic integration, we should break with the closed and semiclosed state of the rural areas and promote the readjustment of rural production and the development of commodity economy. At the same time,

we should vigorously develop integration between military and civilian enterprises. We should conduct various forms of integration with various contents in line with the principle of being conducive to exploiting superiority, to the rational disposition of productivity, and to transferring the advanced technologies of military industrial enterprises to civilian industrial enterprises. This year we should make good preparations for holding the third Northeast China meeting on economic and technological cooperation, and plan to invite 100 cities to the province to conduct economic and technological exchanges and cooperation. We should grasp mutual bidding for the 50 key products of the province and the good-quality and brand-name products of other provinces, and conduct technological cooperation and integration in order to promote the upgrading and updating of products.

To promote lateral economic integration, we should further attend to the reform of industrial management systems and break with the system under which barriers exist between different departments or regions. We should build enterprises into relatively independent commodity producers and managers and open a way for enterprises to form associations and to exploit their superiority amid market competition. We should further implement the regulations on giving more decisionmaking powers to enterprises, implement the policies on encouraging lateral economic integration, and give powers to enterprises to select their product orientation in line with market demand and overall production requirements. Enterprises should be entitled to produce multiprofessional products; are entitled to choose where their products will be marketed and disseminated and what subsidiary projects they will build; are entitled to participate in associations of other departments, localities, and the units with different ownership systems; and are entitled to invest their funds for production development in the projects of other units, departments, and localities. All localities and departments should conscientiously implement the State Council's "Regulations on Certain Questions Concerning Further Promoting Lateral Economic Integration," and the several additional regulations formulated by the provincial People's Government, and should encourage and support enterprises to develop lateral integration in policies and measures.

3. We should rapidly promote technical progress and gradually fit all branches of the national economy with advanced material and technical bases.

Rapidly promoting the technical progress of enterprises is the strategic measure for ensuring reserve strength and sustained and stable development of economic construction. This year we should continue to implement the CPC Central Committee's decision on scientific and technological structural reform and attach importance to the promotion of technical progress, which is a basic task affecting the overall situation. We should vigorously develop and popularize those scientific and technological achievements which can yield better and quick results. Through various forms and channels, we should promote the transfer of advanced technologies from the developed localities to backward localities, from large and medium-sized enterprises to small enterprises and town- and township-run enterprises, and from military industrial enterprises to civilian industrial enterprises. We should organize and establish scientific research and production integrations to mainly solve the key technological problems set forth



by the economic construction and social development. We should concentrate our efforts on solving these problems through joint research projects, and should rapidly apply the research results to production and construction in order to make science and technology play a still greater role in economic construction.

In order to speed up the pace of technological progress, we should study and formulate encouraging and supportive policies. In the quality of products, we should reduce or exempt taxes on some products which have won the quality-product titles from the province or above and which have made small profits thanks to pricing factors. We should try out the method of giving good prices to good quality products and retaining part of the profits. Enterprises may retain part of the profits gained from the good prices given to good quality products as the funds for the development of production and as the award funds. Enterprises that have won the quality management awards from the province or above and that have won the state, ministry-level or provincial-level quality new product awards should be given preferential terms in the supply of raw materials and energy and in communications and transport. In technological development, we should encourage key industries to organize and establish technical development centers for key products and the relevant departments should give them financial support. Enterprises should be allowed to include part of the expenses for technological development into costs. The new industrial products covered by the trial manufacturing plans of the State Economic Commission may be exempted from product taxes and value-added taxes for 3 years from the date of trial sales. During the period of trial sales, the new products covered by the trial sales plans of the various ministries and the province will be exempted from product taxes or value-added taxes for 1 or 2 years according to different situations. In technological transformation, we should give priority to supporting the technological transformation of major and key enterprises and enterprises exporting products to earn foreign exchange. The depreciation funds of the major and key enterprises covered by the province's technological transformation plan during the Seventh 5-Year should be changed from the original comprehensive depreciation to classified depreciation and the increased portion of the depreciation funds should be all used for technological transformation. As for some enterprises whose social benefit is good but their profits are small and their ability to repay debts is poor, we may exempt them from paying a certain part of their regulatory taxes during their transformation period. We should give priority to arranging for and guaranteeing the necessary funds and material resources for the export enterprises to carry out technological transformation and import projects. During the period of repaying loans, the administrative and management departments at all levels should not share the foreign exchange earnings made from the export of products. All earnings should be retained by the enterprises for repaying loans. The additional profits and taxes brought by the technological transformation projects which have been conducted with the enterprises' self-raised funds and have been commissioned, will be totally used as the enterprises' technological transformation funds for 2 years.

4. We should adopt special measures to support counties that are entitled to receive subsidies.



This year the provincial CPC Committee and the government have decided to list the province's 32 counties whose self-supporting financial levels are low (the self-supporting ability is about 50 percent) as the major targets for receiving support. Devoting a period of 3 years making big changes in these counties is a strategic policy decision for vitalizing our province's economy. We should resolutely implement such a policy decision and grasp it conscientiously and well. In order to realize the goal of making these counties become financially self-supporting, the provincial government has decided to adopt some special policy measures and give priority to supporting them in terms of manpower and financial and material resources. In terms of organization and guidance, we should adopt the method of assigning the relevant provincial-level units to support some counties on a contract basis, select some competent cadres to go deeply to the counties concerned to help them formulate plans for achieving prosperity and to jointly organize forces to implement the plans. In financial resources, the province has planned to raise 60 million yuan to help these counties initiate some projects that require small investment but yield quick returns and good benefits. Some key projects which have favorable conditions and remarkable economic results should be gradually included to the plan and be arranged in priority. In material resources, we should collect parity-priced material resources to support these counties' key construction projects and production needs. In terms of policies, through investigations and study, our province has prepared to formulate some preferential policies beneficial to the development of production in finance, taxation and loans in order to promote the economic development in these counties. We should adopt a resolute attitude and effective measures and try by all possible means to make a good beginning this year, and create conditions for changing the poverty situations in these counties.

5. We should extensively collect funds to ensure the construction of key projects.

At present, our province has already defined its basic capital construction and technological transformation projects for 1986. Whether we can initiate these key projects or not has a vital bearing on whether we have reserve forces for economic construction in the future. The prominent contradiction before us is the shortage of funds. According to preliminary calculations, we lack about 200 million yuan in funds for carrying out these key projects. In order to ensure the implementation of our province's key projects, we should open up various channels for raising funds. First, we should extensively encourage the people in both urban and rural areas to deposit money and plan to set up 220 savings deposits centers and 2,400 savings agencies within this year. Enterprises, organs, and establishments where conditions permit should entrust responsible personnel to take charge of the savings work. The savings deposits in 1986 are planned to show an increase of 1.95 billion yuan over that of last year. Second, we should issue bank bonds. A total of 130 million yuan of bank bonds should be issued within this year. Of this, industrial and commercial banks should issue 80 million yuan of bank bonds and agricultural banks should issue 50 million yuan of them. We are allowed to issue more bank bonds when conditions require. Third, a few large key enterprises with influential powers are allowed to raise funds from society with approvals. This year we should first select two large enterprises to conduct the work of raising funds

from society on a trial basis. Fourth, we should carry out precision processing of petroleum and timber in order to expand the province's financial resources. This year the province plans to increase about 20 million yuan of profits and taxes through carrying out the processing of crude oil. Fifth, we should enthusiastically organize forces to hold talks with foreign businessmen in an attempt to bring in more capital from abroad. The province plans to use foreign capital totalling \$72 million this year. The province's shortage in construction funds can basically be eliminated if we fulfill the aforementioned methods.

6. We should continue to reform the planning system in order to better promote economic development.

Reform of the planning system is an important aspect of economic restructuring. We should concentrate this year's planning system reform on further improving and strengthening management of mandatory and guidance planning, gradually shifting the focus of planning work from direct management to indirect management, strengthening the control over the scale of investment in fixed assets, enhancing the management of consumption funds and foreign exchange, conscientiously grasping economic information management, and enthusiastically carrying out economic calculations.

Those who assign mandatory plans should take responsibility for creating production conditions. This is conducive to enlivening the enterprises. The large enterprise whose mandatory plan is assigned by the state should make persistent efforts to fulfill the plans assigned by the state. Departments and localities are not allowed to raise the quotas at each level.

The enterprises undertaking the tasks for allocating products under state mandatory planning should accept forms of ordering goods in accordance with plans and organize production in accordance with demands. On the premise of making sure to fulfill the state assigned tasks for allocating fixed quantity of quality products on time, the enterprises have the authority to sell their products. Supply departments should appropriately deduct the goods and materials of the enterprises that fail to fulfill the state plans or contracts on ordering goods in order to safeguard the dignity of state mandatory planning.

After the formulation of the Seventh 5-Year Plan, we should prepare for carrying out such major tasks for economic development and planning system reform as strengthening macroeconomic management, distributing productive forces, making planning work suit the demands of lateral economic cooperation, applying economic regulator ~~to~~ s to bring into play the roles of prices, tax revenue and credits as economic lever, and conducting investigations and studies to make good plans for trades in order to facilitate progress of planning system reform.

We should strengthen economic information management and economic calculations. This is an important basis for making plans and policy decisions and improving macroeconomic management. In accordance with the demands of building an automatic economic information management system approved by the State Council, this year the province should grasp the formulation of the overall plan for building a provincial economic information management system and facilitate applied

research and development work. Simultaneously, we should achieve economic calculations and set up a provincial economic calculation network, a macroeconomic model, and four data reserve centers in order to provide for the formulation of mid- and long-term plans with a scientific basis, to improve planning work, and to suit the demands of strengthening and improving the macroeconomically indirect control system.

May 1986 will soon be over. In the coming 7 months we must conscientiously implement the party's principles and policies, mobilize the vast number of workers, peasants, intellectuals and cadres to work unitedly to implement all measures; and persist in the principle of seeking truth from facts to achieve work in a down-to-earth manner to ensure a sustained, stable, and coordinated development of the province's economic and social undertakings and an overall realization of the plans for economic, scientific, technological and social development.

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[Article by Tang Zongkun [0781 1350 0354]: "The Transition from Collective Ownership to State Ownership Should Be Thoroughly Negated"]

[Text] JINGJIXUE ZHOUBAO has launched a discussion focused on the view voiced by Comrade Rong Wenzuo that "collective ownership should not be required to transit to ownership by the whole people." In general, both sides involved in the discussion have capitalized on the traditional concept that completely equates socialist state ownership with ownership by the whole people; therefore, the discussion has actually been focused on whether socialist collective ownership should transit to state ownership. This question was put forth at a national symposium on urban and rural economy under collective ownership held in Shenyang in early 1980, but the discussion was not yet launched at that time. Now that the discussion initiated by JINGJIXUE ZHOUBAO is providing an opportunity for different views and arguments concerning this question to be pitted against each other, it will facilitate the in-depth study of this question, and thus expedite in practice the healthy development of the collective ownership economy.

The above question arose from the evaluation of the lesson drawn from the history of development of collective ownership in our country. There was a view which was rather prevalent in our country in the past, namely, the view expressed by Comrade Sun Yaohui in his article "My Views on the 'Transitional Tendency' of Collective Ownership," which stated that the main lesson we drew from past experience reminds us that "the transition from collective ownership to ownership by the whole people was effected too rashly." He said: "We were wrong in the past because we initiated the transition 'rashly' or 'blindly.' The 'transition' process is not wrong in itself. It is still necessary if it is not carried out 'rashly' or 'blindly.'" "We should never totally negate the 'transitional tendency' just on account of the historical lesson," he added. Thus it can be seen that he adopted, in principle, a positive attitude toward the transition from collective ownership to ownership by the whole people. On the other hand, Comrade Rong Wenzuo has, in principle, taken a negative attitude toward this transition. Reviewing our country's historical lesson, he said: "Every time the 'tendency' of transition of the economy from collective ownership to ownership by the whole people emerged, the productive forces were destroyed to a varying extent without fail." So he drew the conclusion: "We should not demand a transition from collective ownership to

ownership by the whole people, as production developed." This statement gives the impression that he seemed to have reservations in negating the transition. In his article "Shallow Analysis of the 'Transition Theory,'" Comrade Xiao Liang negated this transition without reservation, saying that this transition "not only gets nowhere in practice but also is not consistent with a Marxist view in theory." There is reason in his statement, but it is a pity that he failed to give the necessary proof of this conclusion.

In my opinion, the transition from collective ownership to ownership by the whole people simply must be negated and, what is more, totally negated. Otherwise we will repeat our historical mistakes. With regard to this point, Comrade Sun Yaohui's words are clear enough to remind us. He said: "At the moment, or for a short period to come, say until 2000, we must continue to pursue the principle of stabilizing and developing the collective ownership economy rather than encourage the 'transition tendency.'" However, he also said: "When the productive forces develop to an appropriate level, the 'transition tendency' will emerge nevertheless." Hence, the transition from collective ownership to ownership by the whole people is merely deferred, according to Comrade Sun Yaohui's "forecast," for, say, some 10 years. If this is really true, then the prospects and fate of collective ownership are indeed doubtful. How, then, can the collective ownership economy be "stabilized and developed"?

The "theory of transition" from collective ownership to state ownership is based on misunderstanding of the laws of development of socialist public ownership, according to which a higher degree of socialist public ownership means a higher degree of state domination over enterprises accumulation and an evened-out distribution of revenue among enterprises. The centralization of the accumulation function and egalitarian practice regarding distribution of revenue are the very essence of "egalitarianism and indiscriminate transfer of resources and the grounds for the "transition theory." And this was the very view that some people used during the people's commune movement in 1958 to prove that that period was the "appropriate time" for transition from collective ownership to state ownership. If we do not try to completely dismiss such a misunderstanding of the laws of development of socialist public ownership, how can we ensure that it will not be used again to prove that the "appropriate time" for transition has come? Such being the case, we will hardly be able to avoid even a "rash transition."

By further analysis, we can see that the centralization of the accumulation function, egalitarian practice in distribution of revenue among enterprises, and the integration of basic government administration and enterprise management are the crux of the practice of "eating from the same big pot" in the state-owned economic units where nobody is in charge. The substance of socialist collective ownership is the direct integration of the united laborers and the production means. Although this is only a direct integration within the scope of a collective rather than of the whole society, it is, after all, a direct integration, embodying the public ownership which is the source of vitality of enterprises under collective ownership. As far as enterprise management is concerned, this direct integration shows the following features: The collective autonomy of the enterprise staff, the system of self-management under which the enterprise assumes full responsibility for profits and losses, and the



enterprise's self-development through self-accumulation. And the very consequences of the transition from collective ownership to state ownership are the destruction of both the direct integration within the scope of a collective and the vitality of the enterprise arising thereof, and the introduction of the malpractice of "eating from the same big pot" in enterprises where nobody is in charge. This is the very reason why this kind of transition would result in the destruction of social productivity. It is not merely because "the transition is effected too rashly." Therefore, the destruction of productive forces would not be avoidable even if the transition was effected when the productive forces had developed further, say, after the realization of mechanization. The only difference is, the consequences of the destruction might possibly be less remarkable than those caused by the "hasty" transition launched in 1958 when manual labor remained the main form of production.

The issue concerning the self-accumulation mechanism of enterprises under collective ownership merits our attention. If the masters of a collective enterprise, that is, the laborers as a collective, are always worried about the possible transition or nationalization to be effected in their enterprise some day, how can their initiative in capital accumulation not be dampened and how can a sound self-accumulation mechanism take shape in that collective enterprise? Such being the case, enterprises will be focused to concentrate their attention only on short-term operations but overlook longterm development, or the government department in charge will have to perform the accumulation function on behalf of the enterprises, taking from those enterprises which have made profits and giving to those which have suffered losses, thus reducing the enterprises decisionmaking power and self-development potential. Both alternatives will hinder the development of productive forces.

The transition from collective ownership to state ownership involves a matter of principle, namely, Marxism's attitude toward the production means owned by laborers. Marxists have always maintained that the exploiters must be expropriated but opposed expropriation of the exploited. Everyone who has studied Marxism must have learned of Marx' and Engels' expositions on the view that no individual laborer should be expropriated in any form (with or without compensation). In my opinion, the Marxist principle concerning the attitude toward the production means owned by individual laborers equally applies to the case of the production means owned by a collective of laborers. And the transition from collective ownership to state ownership is nothing but forcing a change in the collective laborers' ownership over the production means and nationalizing the production means owned by the latter by coercive measures, thus changing by force the direct integration of the laborers and production means within the scope of collective ownership into the integration of the two with the state (in fact, the government) as the intermediary. In substance, this is the expropriation of the collective laborers.

Those comrades who insist on transition from collective ownership to state ownership think that the further development of collective ownership will be impossible without such a transition. In fact, collective ownership has its own law of development. It is definitely possible for the scope of collective ownership, based on which the direct integration between laborers and production means is effected, to expand gradually along with the enhancement of socialized production. This gradual expansion of the scope of collective ownership is

not merely, or is not in the main, an expansion of the size of collective enterprises, but is an expansion and in-depth development of the alliance, in different forms, with different content, in different links, and at different levels, of collective enterprises, or of laborers' collectives as independent commodity producers and dealers. Such an alliance is based on the principle of voluntary participation and mutual benefit. Those involved in the alliance do not have a master-servant relationship between them, and the system of democratic administration of the laborers' collectives is practiced within the alliance. The voluntary alliance set up by laborers' collectives within the enterprise and among enterprises, with a view to meeting the needs of socialized productive forces, will develop in a direction leading to a direct integration of the laborers and production means within a wider scope of collective ownership and to a direct integration with modified connotations. This signifies that the public ownership factor will play a greater part in collective ownership. When this alliance is so developed that the highly socialized production means can only be owned and allocated by the united laborers of the society as a whole, naturally production means will then become the property of the whole society and the direct integration between laborers and production means will be realized within the whole society. While gradually developing through alliance within the scope of collective ownership, the collective ownership economy does not rule out the possibility of allying with other socialist public ownership economies (including the state-owned economy), based on the principle of voluntary participation and mutual benefit, with a view to meeting the needs arising from the development of production forces. This latter alliance will give rise to a new form of socialist public ownership which will possibly be an approach to the natural long transition to ownership by the whole society. In any case, we cannot force a transition on collective ownership by dint of state political power and, if not diverted from its intrinsic developmental trend, collective ownership will develop into ownership by the whole people rather than state ownership. In addition, the connotations of future ownership by the whole society will be different from those people have attached to existing ownership by the whole people.

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## ECONOMIC PLANNING

### RENMIN RIBAO ON DEVELOPMENT OF SMALL, MEDIUM CITIES

HK210714 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 14 Jun 86 p 2

["Special Commentary" by Wu Peilun [0702 0160 4858]: "The Experience of Developing Small and Medium-Sized Cities in Our Country"]

[Text] In 1949 there were only 69 cities with urban districts and 2,000 county seats in our country. At the end of 1985, there were 324 cities with urban districts and 9,130 county seats. Small and medium-sized cities developed more rapidly. In the last few years in particular, we have defined the principle of "controlling the scope of big cities, rationally developing medium-sized cities, and vigorously developing small cities." Under the guidance of numerous policies on economic development, a number of small and medium-sized cities have rapidly risen. This has attracted people's attention. From 1978 to 1984, Changzhou City's total industrial output value increased at an average rate of 11.07 percent and that of Foshan City showed an annual average rate of 20.06 percent (neither including [word indistinct] of counties under their jurisdiction). These figures greatly surpassed the nation's annual average of an 8.8 percent increase in total industrial [word indistinct] in the same period of time.

The experiences of rapid expansion of small and medium-sized cities in our country is mainly as follows:

1. It is necessary to energetically develop industry, to enhance economic strength, and to raise the status of cities as a center.

In developing industry, small and medium-sized cities should mainly rely on their own accumulated funds. Changzhou City in Jiangsu Province is an example. By the end of 1983, the city had handed 7.87 billion yuan over to the state in financial revenues, while in the same period of time, the state allocated no more than 1 billion yuan to the city. "Snowballing" and "a hen laying eggs" are two important ways of developing industry. By "snowballing," we mean encouraging large enterprises to bring along small ones and advanced enterprises to bring along less advanced ones, and we also mean overcoming the backward phenomena such as a limited scale of operations and decentralized management, and avoiding duplication in production by conducting readjustments and reorganization, forming associations, tapping potential, and carrying out technological innovation and transformation, so that all enterprises can constantly develop themselves. By "a hen laying eggs," we mean setting up new factories by using some resources of the existing enterprises, and we also mean dispersing some industries from big cities into small and medium-sized ones.

Promoting technological progress is an important measure for small and medium-sized cities to develop industry. It is necessary to extensively conduct mass technological innovation activities, to continuously raise the mechanization of production, and to gradually spread the extensive use of new techniques, new technology, and new materials. Various large enterprises have set up their own organizations for technological innovation and made vigorous efforts to establish connections with institutions of higher education and scientific research establishments, thus combining production and scientific research. For instance, Changzhou City in Jiangsu Province has established relations of scientific and technological cooperation with more than 170 scientific research establishments and institutions of higher education all over the country. The latter provided the former with nearly 1,000 achievements in scientific and technological research for use in production. Meanwhile, it is necessary to energetically import advanced technology from foreign countries. From 1979 to 1985, Foshan City in Guangdong Province signed 14,431 contracts using foreign investment, put nearly \$400 million of foreign investment into use, and imported 120,000 items (sets) of advanced technology and equipment and 160 production lines. In 1984 and 1985 alone, the city developed 228 new products, of which 36 had never been produced before in the country and 169 were cited by the state or the province as top quality products. The city's capacity to export its products has thus increased significantly.

While developing state-owned enterprises by using investments, it is also necessary to organize the masses of people to pool funds to develop enterprises under the collective ownership system and individual enterprises. Shashi City in Hubei Province is an example. The number of industrial enterprises under the collective ownership system in the city constitutes 70 percent of the total number of its industrial enterprises, and the output value of these enterprises makes up more than one-third of the city's total industrial output value.

2. It is necessary to strengthen the relations between the cities and countryside so as to promote common prosperity. Generally speaking, small and medium-sized cities in our country are developed on the basis of market towns where light and textile industries constitutes the largest proportion of their economic structure. Therefore, they rely more heavily on rural raw materials and markets than big cities. In recent years, the rural commodity economy had developed significantly. This development has provided small and medium-sized cities with an ever growing market and ever expanding raw material basis. To strengthen relations between the cities and countryside, in administrative management, our country has gradually implemented a new city-administering-county system in the relatively economically developed regions. By the end of 1985, of the 2,046 counties throughout the country, 659 had been put under the administration of 146 cities. Some small and medium-sized cities have established relations with their nearby counties in such areas as industrial production, commodity circulation, communications and transportation, economic information, bank credit, science and technology, culture, and education, thus enabling rural and urban economies to promote and complement each other. Many cities have paid attention to the role of small towns as a link in the economic relations between the cities and countryside, listed the construction of these towns in the general development plans of the cities, dispersed some labor-intensive enterprises to small and medium-sized cities, and encouraged the peasants to move to small towns to run shops and factories.

3. It is necessary to energetically develop lateral economic relations between different cities or, figuratively speaking, to "open wide the city gate."

Lateral economic relations are based on the development of relations between different enterprises, including the association and cooperation between different industries, between industry and commerce, between different commercial sectors, between agriculture and industry, between agriculture and commerce, and between different enterprises combining agriculture, industry, and commerce. Meanwhile, it is necessary to actively develop the association and cooperation of various provinces and various small, medium-sized, and big cities. In the last few years [word indistinct] clusters with big cities as the center and small and medium-sized cities around them or with a combination of the latter as the basis have begun to take shape. For example, in Liaoning Province, there are two city clusters: One is composed of the seven cities of Shenyang, Fushan, Dandong, Benxi, Liaoyang, Anshan, and Tieling, with Shengyang City as the center. There is also a city cluster composed of 15 cities and prefectures in the area where Jiangsu, Shandong, Henan, and Hebei provinces meet, and an economic and technological combination composed of 15 cities and prefectures in the contiguous areas of Shanxi, Hebei, Shandong, and Henan. They have thus developed the specialization, division of labor, and cooperation between cities and prefectures and attained economic results from socialized production.

In bringing the role of cities into play, it is still necessary to strengthen the construction of urban infrastructural facilities and to develop the tertiary industry in cities so that the industry and economic construction can develop simultaneously. Efforts should be made to improve the investment environment in cities, the conditions in enterprise production and operations, and the people's living conditions, and to achieve the unity of economic social, and environmental benefits.

The infrastructures of cities, such as water supply, drainage works, power supply, gas and heat supply, roads, and bridges, and their sound environments are the basic conditions on which the cities rely for existence and development. For this purpose, we have promulgated some policies and laws and decrees, such as the "Environmental Protection Law of the PRC," "Provisional Regulations Concerning Urban Public Health Work," and brought environmental protection in line with the national economic development plan. When a new enterprise is set up, three things must be done simultaneously as required by state regulations. The facilities for preventing all kinds of environmental pollution must be designed, constructed, and put into production simultaneously with the enterprise main projects and in line with the readjustment of the national economy. Old enterprises creating serious pollution must be either closed down, have production suspended, be merged, or be diverted to other lines of production.

Various cities have paid attention to mobilizing the state, the collectives, and individuals to make concerted efforts to build and develop the cities successfully. For instance, the units concerned and residents are organized to raise funds to build public facilities benefiting themselves.

How to use rural surplus labor and funds and how to encourage the peasants to move to cities to engage in the tertiary industry have become the important



policies of many small and medium-sized cities. In Handan, Hebei Province, the peasants moved to the city to run cinemas and theaters, hotels, restaurants, and repair service businesses. The number of seats (beds) or the volume of business transactions has constituted one-fifth to one-third of the city's total, thus developing the city and boosting the peasants' income. This momentum is increasing.

The orientation of the future endeavors of small and medium-sized cities in our country is as follows:

1. It is necessary to bring the multiple functions of cities into fuller play. Continued efforts should be made in the future to develop industrial production, in particular the energy and raw and semifinished materials industries. A city is not only an industrial center but also a trading, financial, information, scientific and technological, and cultural center. In the future, particular efforts should be made to speed up the construction of infrastructural facilities and the tertiary industry.

Opening wide the city gate also includes the opening of our country's four special economic zones of Shenzhen, Zhuhai, Shantou, and Siamen and 14 open cities to foreign investment. They are becoming the center of opening both to domestic businesses and to overseas investors.

2. It is necessary to further develop regional economic networks by relying on cities and to gradually form urban and rural economic networks with big cities as the center, medium-sized cities as the backbone, small cities as the link, and the vast countryside as the base. This is one of the goals of our economic structural reform and is also where the vitality of cities lies. In the days ahead, it is necessary to vigorously organize, through the continued development of transregional, transdepartmental, and transtrade lateral economic relations, the commodity circulation and information, technology, and personnel exchanges between the cities and countryside and between different cities, so that the cities can bring their multiple functions into play. We must enhance their radiation force and appeal and provide their neighboring region's economic and social development with more services and support so that open economic networks and economic regions of different sizes can gradually be formed and developed. In this process, the cities can continue to develop.

3. It is necessary to further develop cooperation and exchange between the eastern and western regions of the country. Ninety percent of the country's population lives in the eastern region of the country, where 289 out of the nation's 324 cities are concentrated. In the western region there are only 35 cities and most are small cities. As far as the cooperation and exchange of the eastern and western regions are concerned, it is necessary to transfer the former's technology to the latter, to vigorously exploit the latter's rich natural resources, and to steadily change the imbalances in the country's economic development and city distribution.

4. It is necessary to work out urban plans and to strengthen the construction of infrastructural facilities and the tertiary industry in cities. Since 1978, on the basis of summing up the experiences both positive and negative in urban planning work since the founding of the PRC, we have promulgated the

"Regulations Concerning Urban Planning" and a set of rules and regulations concerning urban planning work and planning methods have thus been established.

In working out urban plans, it is first necessary to link the objectives of economic and social development of a specific city with the development objectives and plans of the state and of the region concerned. Second, it is necessary to take into account bringing into play the city's superiority in resources, environment, existing achievements in all fields of endeavor and in traditional skills, and to develop the city's "name brand, top quality, and unique" produce and key industries so as to boost the economic development of the city as a whole.

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## ECONOMIC MANAGEMENT

### XING CHONGZHI ON LATERAL ECONOMIC COOPERATION

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["Excerpts" of speech by Xing Chongzhi, secretary of the provincial CPC Committee, entitled "Summing up Experiences, Persisting in Reform Promoting Lateral Economic Cooperation, and Taking the Lead in Turning the Areas Around Beijing and Tianjin into Economically Developed Areas," delivered at the provincial forum on developing lateral economic cooperation in areas around Beijing and Tianjin--date not given]

[Text] 1. Our province should take the lead in building the areas around Beijing and Tianjin into economically developed areas.

Recently, while determining to actively develop the mountainous, coastal, and upland areas during the Seventh 5-Year Plan period, the provincial CPC Committee has considered the areas around Beijing and Tianjin as an emphasis in construction after repeated study, enabling them to become the province's first economically developed areas as well as one of the economically developed areas in China. There are three major reasons for considering these areas as the province's emphasis in economic construction and making them prosperous within a short period of time:

First, the central authorities have been very much concerned about the development of the areas around Beijing and Tianjin and have issued a series of important directives. The Seventh 5-Year Plan adopted at the Fourth Session of the Sixth NPC has listed the areas around Beijing, Tianjin, Tangshan, the energy bases of Shanghai, Northeast China, and Shanxi, and the four provinces (regions) in the southwest China as the first-level network of economic zones of China. This is an important strategic policy decision of the CPC Central Committee and the State Council. The directives and policy decisions of the CPC Central Committee have reflected the needs of and the foundation for turning the areas around Beijing, Tianjin and Tangshan into an interdependent network of economic zones and have defined a direction of advance for building these areas in the province.

Second, the areas around Beijing and Tianjin occupy a very important strategic position in the province. These areas have the coastal open city and important port of Qinhuangdao, a comparatively big city of Tangshan, the four

medium-sized cities of Baoding, Zhangjiakou, Chengde, and Cangzhou, and a group of cities under the jurisdiction of prefectures and some small cities and towns, forming a group of cities. Around these cities, there are hilly areas, vast plateaus, and coastal areas and crisscross railways and highways, and comparatively developed communications and transport facilities. Viewing these areas, we can find obvious favorable geological and natural resources and certain favorable conditions for the development of production and products there. Judging from the favorable geological conditions, these areas are located near Beijing and Tianjin and have favorable conditions for carrying out various forms of coordination and economic cooperation, learning from others' strong points to offset weaknesses, and developing in a coordinated manner. Beijing and Tianjin have many favorable conditions: First, technology and competent persons are concentrated in the two areas; second, they have strong industrial bases; third, they have large markets; and fourth, both possess fast domestic and foreign trade information. These favorable conditions are the important forces from which we may directly or indirectly draw support in the course of our economic and cultural construction. Judging from the favorable natural resources, the areas around Beijing and Tianjin have comparatively rich mining and agricultural resources. Based on this, we may develop some superior industries and products and turn these areas into important industrial and agricultural producing bases for the Beijing, Tianjin and Tangshan economic zones. These areas have fairly rich reserves of coal, petroleum, iron ore, titanium, copper, gold, dolomite, limestones, quartz for making glass, refractory clay, and phosphorus. Some of these mining resources are being developed and a fair-sized production scale has been formed. Some of the products are comparatively competitive in the domestic markets and some have entered world markets. Furthermore, these areas have fairly good natural conditions and their agriculture, forestry, animal husbandry, and sideline occupations and fishery and other industries are comparatively developed. If we combine these natural resources and the economic superiority with the superiority of competent personnel, science, technology and industry in Beijing and Tianjin, and make them promote one another, we can form a new and comprehensive superiority and turn Beijing, Tianjin and Tangshan into a economically developed core area in northern China.

Third, the rapid economic development in the areas around Beijing and Tianjin and their early prosperity may stimulate the development of other areas throughout the province. Due to geological and historical reasons, the western and northern mountainous areas as well as the upland areas of our province are comparatively backward in economy and culture, and the development in Heilonggang valley in the southeastern areas and some of the coastal areas are comparatively slow. Our province is bordered on the west, north and southeast by Beijing and Tianjin. Building the areas around Beijing and Tianjin into economically developed areas as soon as possible and enhancing their capacity of absorbing capital and popularizing technologies is of strategic significance to facilitate the development of the areas in the western, northern, and southeastern parts of our province and to accelerate the pace of developing mountainous, coastal, and upland areas and Heilonggang area. Judging from the current situation, the economic development level of the ringlike areas is considerably higher compared with other places in the province. It is completely possible to accelerate the economic development

of these areas and to make the province prosperous ahead of schedule by better developing lateral cooperation with Beijing and Tianjin, since the state has listed the areas around Beijing, Tianjin, and Tangshan as the first-level network of economic zones of China.

Viewing the aforementioned situation, the provincial CPC Committee's plan for listing construction of the areas around Beijing and Tianjin as a key project during the Seventh 5-Year Plan period embodies the guidelines of the instructions of the central authorities, and accords with the province's actual conditions. This, comrades of the departments at all levels throughout the province, leading comrades in particular, should have a full understanding of this. We should make a unified plan for and concentrate essential energy on accelerating economic development of these areas in order to gradually build these areas into economically developed areas focusing on conducting cooperation with Beijing and Tianjin, promoting the province's economy, and serving the whole country, into a key industrial base focusing on developing iron and steel, coal, petroleum, chemical industry, chemical fibers, and building materials, and into a commodity base focusing on producing agricultural and sideline products, such as vegetables, meat, poultry, eggs, dried and fresh fruits, and aquatic products. On the basis of developing production, these areas should strive to become one of those places across the province that make greatest contributions to the state and where the people's living standards are among the highest.

1. We should vigorously promote lateral economic cooperation with Beijing and Tianjin.

The economic development of the areas along Beijing and Tianjin depends on the situation of lateral economic cooperation with Beijing and Tianjin to a great degree. After the 3d Plenary Session of the 11th CPC Central Committee, in particular, since the past 1 or 2 years, the areas have scored notable economic results by developing lateral economic cooperation with Beijing and Tianjin. Some good typical examples have emerged and good experiences have been found out. However, we should clearly understand that these areas still lag behind with regard to the range and quality of the work of developing economic cooperation, since they are basically at the initial stage of the development of economic cooperation. Therefore, in accordance with the guidelines of the "several regulations on further facilitating lateral economic cooperation" issued by the State Council, we should sum up experiences, enthusiastically keep forging ahead, and strive to promote the work of expanding lateral economic cooperation to a new level.

We should emancipate our minds and upgrade our understanding. At present, responsible comrades of some localities, departments, and enterprises have some confused ideas about lateral economic cooperation. Through studies and education, we should conscientiously solve these ideological problems and enhance our awareness of and initiative in developing lateral economic cooperation. We should guide the vast number of cadres and the masses to deeply understand that developing lateral economic cooperation is a great trend of the country's economic development. Through the development of the overall economic restructuring, the planned commodity economy will be vigorously



developed in the vast urban and rural areas. The commodity economy characterized by specialization and socialization is not a closed-type natural economy, but it requires reasonable exchanges in the spheres of funds, material supplies, equipment, talented persons, and so on, in order to realize alignment of various advantages and to form new capacities of production. It requires us to change the old system of having barriers between different regions and between different departments and the organizational structures of enterprises such as "large and all-embracing" and "small and all-embracing." Developing lateral economic cooperation is an objective requirement for developing our country's socialist commodity economy as well as a strategic principle set forth by the CPC Central Committee in line with the new situation of reform. We must understand the importance and essence of the work of developing lateral economic cooperation with Beijing and Tianjin in the perspective of the historical background of the great trend of economic development and the implementation of the strategic principles of the central authorities. Meanwhile, only by strengthening lateral economic cooperation can our province's areas around Beijing and Tianjin swiftly change their outlook. As the trend of lateral economic cooperation has taken shape in the country, Beijing and Tianjin municipalities are also developing the lateral cooperation with our province as well as other provinces. This is a very good opportunity. We should seize this opportunity, eliminate ideological obstacles, open the four doors of cities, the countryside, trades and enterprises still wider, and make the lateral economic cooperation with Beijing and Tianjin expand further and be more successful.

We should develop our superiority, and make the best use of our favorable conditions. Economic cooperation is, in fact, the combination of the superiorities of various localities. In order to promote the lateral economic cooperation with Beijing and Tianjin, every prefecture, city, county, township and village, every trade and every enterprise should gear its production to the needs of markets of Beijing and Tianjin, and conduct surveys on the markets to make clear which industries and which products, that are superior to others, are more competitive on the markets, and what latent potential in natural resources it can develop quickly by making use of the technologies, personnel and funds of Beijing and Tianjin. Generally speaking, we should put more efforts in bringing in new technologies, qualified personnel and funds from Beijing and Tianjin to develop our resources and brand-name products, and then sell our products to Beijing and Tianjin, and other markets all over the country. It is in this way that we develop our own economy. This is an important characteristic of our lateral economic cooperation with Beijing and Tianjin. We should create favorable environments and conditions to make the imports successful. In terms of external conditions, we should successfully construct transportation and energy projects and build civilized villages and units to make the conditions more attractive. In terms of internal conditions, we should chiefly enhance our economic strength, intensify the training of staff members and workers, upgrade our managerial and technological levels, and increase our ability for assimilation. Only in this way can we lay a solid foundation for the imports and make them yield better returns.

We should pool both "official" and the "people's" efforts, with the focus on the latter. This is another important experience of all localities in expanding cooperation. By focusing on the "people's" efforts, we mean that, first,

the undertakings of the masses should be developed by the masses, and the "people" should be the main force to open up channels for cooperation, and, second, lateral economic cooperation should be based on the cooperation among enterprises. Therefore, all state, collective and individual enterprises, economic associations, grassroots cadres, and the masses should be mobilized to actively look for partners of cooperation through various channels and methods. Party and government organs and economic management departments at all levels, the so-called "official" units, should take the initiative in clearing channels and acting as a go-between to help solve the problems arising in cooperation, and promote effective cooperation, in particular, the cooperation in building large projects and that of key enterprises. Our present emphasis on the "people's" efforts does not mean to debase the importance and necessity of "official" contacts and regional economic cooperation. From a long-term point of view, Beijing, Tianjin and Tangshan are bound to carry out larger-scale cooperation in the development of a number of key projects in a well-guided and well-organized manner under the guidance of the central authorities, and use their cooperation to lead the economic ties of larger areas. It is impossible to achieve this without the coordination and organization of "official" units. CPC committees and governments at all levels should carry out this work voluntarily and more effectively.

The measures should be varied and gradually improved. We should carry out broader and deeper cooperation with Beijing and Tianjin, turning temporary, primary and unstable cooperation into long-term, stable, and higher-level cooperation. In light of the special features of the areas around Beijing and Tianjin and the experiences of various localities, we should advocate the following types of associations: 1) Focusing on superior industries and brand-name and good-quality products, we should develop associations between "leading" plants and general plants. This type of association has great vitality, good benefit, and strong coherence ability, and may form large-scale associations of enterprises. This is a high-class type of economic associations; 2) Focusing on the development of natural resources, energy resources, and scarce raw materials in particular, we should develop associations in production realms. We can adopt the methods of joint-venture management and compensatory trade to attract foreign capital in order to rapidly change the superiority in natural resources into economic superiority; 3) Focusing on the joint-research for scientific and technological problems and on the import of new products, we should develop associations between scientific research institutions and production units. This type of association is conducive to rapidly transferring science and technology into immediate productivity, to rapidly putting new products into mass production, and to forming competitive brand-name and high-quality products. This is a way to realize the self-development of enterprises; 4) Focusing on the technological transformation of the local medium-sized and small enterprises and of town- and township-run enterprises, we should import necessary technological equipment, technical skills, and scientific and technological talents to develop extensive associations in the scientific and technological realms. This type of association is conducive to accelerating the technical progress and enabling the local small and medium-sized enterprises and the town and township enterprises to embark on the road of small scale, specialization, and modernization; 5) Taking advantage of the

opportunity of transferring military departments and enterprises into civilian use, we should develop associations between military industrial enterprises and civilian industrial enterprises; 6) In line with the market need of Beijing and Tianjin, we should develop the agriculture-industry integration, the agriculture-commerce integration, and the agriculture-industry-commerce integration which link production with marketing. We should vigorously establish agricultural and sideline products wholesale markets in cooperation with Beijing and Tianjin, or establish the fixed fresh and live agricultural and sideline products supply and marketing relations directly with large and medium-sized plants, mines, enterprises, and scientific research institutes in Beijing and Tianjin. At the same time, we should organize and sell brand-name and high-quality minor commodities and handicrafts produced by light and textile industrial enterprises to the urban areas, in order to supplement each other's needs and deficiencies. In the course of organizing production-marketing integrations, we should pay special attention to exploiting the role of the extensive contact range and the solid strength of supply and marketing cooperatives, so that these cooperatives can play still greater role in developing lateral economic cooperations; and 7) Centering on expanding export and earning foreign exchange, we should develop industry-trade integration and agriculture-trade integration which engage in production and management of export commodities.

We should give prominence to key projects, and open ourselves to the outside world in a comprehensive manner. Developing the cooperation with Beijing and Tianjin is the major task of the province's areas around Beijing and Tianjin. But we should not isolate the key projects. We should simultaneously develop cooperations with other layers in order to complement and promote each other. In addition to the cooperations with Beijing and Tianjin, the lateral economic cooperations with the areas around Beijing and Tianjin also include the following several layers; the cooperation between different enterprises in the urban areas; the cooperation between the urban and the rural areas; the cooperation between different localities in our province; the cooperation between our province and other provinces; and the cooperation between the province and foreign countries and regions. All other localities in the province should also organize similar multi-layered and all-direction cooperations. We should "open up to the outside world" and "invigorate the economy" at each different layer in order to form a network of the lateral economic cooperations which link and promote each other. Under this network, we should pay attention to properly handling the relationships between internal and external cooperations, and should promote the external cooperations with the internal cooperations. We should attend to the influence ability of the external and the internal cooperations in order to form some superior industries and products. At the same time, we should pay attention to further exploiting the central and pivotal role of the central cities, should support agricultural production and the development of the rural areas, should appropriately spread equipment, industrial products, and technologies to the rural areas, should develop cooperations between the urban enterprises and town- and township-run enterprises, should gradually combine the urban economy with the rural economy, and should achieve the goal of common prosperity in the urban and rural areas.

3. We should persist in attaching prime importance to reform, and using it to promote cooperation.

The purpose of our economic structural reform is to develop a socialist planned commodity economy, to form a socialist unified market system, and a crisscross open economic network. However, our present economic activities have been basically organized in line with the subordinate relationships of the higher and lower levels, which go against the objective demands of developing the commodity economy. Therefore, in the process of developing lateral economic cooperation, contradictions are certain to rise in the old economic system, particularly in the planning, financial, and banking systems and in the material distribution and circulation systems, which run counter to some regulations and systems in practice. Reform is the only way to solve these contradictions. Lateral economic cooperation is an important task of reforming the economic structure. In addition, it needs favorable conditions for development through indepth reform of the old systems. The process of developing lateral economic cooperation is a process of breaking the barriers between departments and regions, as well as one of changing the old systems into new ones. Comrades of various levels and departments should consciously participate in reforms, take the lead in reform, always pay attention to study the new situations and solve new problems, change the outdated management systems and regulatory methods within the limits permitted by the macroeconomic policies, actively carry out a whole range of reforms, and promote the development of cooperation.

At present, in the structural reform, various localities have demanded for the delegation of powers to the lower level and preferential policies for localities out of the province. Delegation of power to the lower levels include delegation of power to both enterprises and the localities. Giving power to enterprises and enabling each and every enterprise to have vigor and vitality and to carry out production and operational business on their own initiative are the central links of the economic structural reform and a basic premise for developing lateral economic cooperation. When enterprises have decision-making powers and vitality, they will ask for cooperation. Owing to the obstruction created by some administrative departments and companies, the regulations of the central authorities and the province on expanding the decision-making powers of enterprises have not been implemented in some enterprises. Many enterprises have not been given a free hand in operation and have suffered from some unnecessary administrative interventions in the course of developing lateral economic cooperation. Some departments have turned a deaf ear to the enterprises' "strike" against some old systems of the superstructure, and have failed to adopt some relative "counter" measures. Some localities have still used the methods of managing state enterprises to manage collective enterprises in cities and towns and township enterprises and their control over enterprises is too rigid. Some have misgivings in the implementation of the plant directors (managers) full responsibility system and some have even taken the road of retrogression. Such problems merit the great attention of the leaders at all levels. The various prefectures, cities, and counties and the various responsible economic departments should check the work of delegating powers to enterprises in their own localities and departments, and check which powers have been or have not yet been delegated and which decentralized powers have been drawn back so that they can adopt resolute measures to solve the problems conscientiously.

implementing preferential policies in other localities is aimed at easing policy restrictions and intensifying the attraction of the lateral economic cooperation. We should further ease policy restrictions in importing technology and competent personnel, raising credit and funds, reducing and exempting taxes, in planning, materials supply and prices, and in examining and approving projects and the utilization of land. The key issue of easing policy restrictions is to correctly handle the distribution of profits among the association members. While dealing with this issue, we should be far-sighted and should let others enjoy profits before seeking our own. Although we may reap small profits at present, we will achieve greater profits through long-term economic cooperation. We should not haggle over the immediate small profits and lose the abundant financial resources of the future.

Our purpose of decentralizing power and implementing preferential policies is aimed at mobilizing the enthusiasm of all quarters, fully tapping internal potential, and accelerating the pace of economic development. All localities should adopt the guiding ideology of basing themselves on reform, overcoming difficulties, and seeking development. On the present condition of strengthening "four controls" in the macroeconomy, we should emphasize tapping internal potential, and expand production through intensive means. This has bright prospects.

We should not only implement correct policies but also provide legal guarantee if we are to ensure the sound development of lateral economic cooperation. We should conscientiously organize the masses of cadres and people to study some economic laws, such as the tax law and the contract law. In particular, all cadres leading economic work should be familiarized with the laws, and learn to use the legal means to control economic activities. It is necessary to strengthen local legislation work. All regulations and methods which are commensurate with the law governing the development of economic activities, and which prove effective after practice should be formed as local laws and regulations in a timely manner. It is also necessary to carry out extensive legal advisory activities, strengthen judicial notarization and contract arbitration, establish and improve economic courts, and crack down on the law-breaking and criminal activities in the economic field in order to safeguard normal economic order.

#### 4. Intensify the coordination of and the guidance to lateral economic cooperation.

Lateral economic cooperation represents a new thing emerging in the development of the socialist commodity economy, and also a structural reform of far-reaching significance for the Seventh 5-Year Plan period. This calls on CPC Committees and governments at all levels to place it high on their agenda, conscientiously strengthen leadership over it, and change the situation in which some localities and units fail to make their understanding catch up with the situation, and to grasp it effectively.

We should adapt ourselves to the new situation, and further change our leadership thinking and methods. Because the purpose of the development of lateral economic cooperation is to organize and develop a broader-scale urban and rural



commodity economy, we should further foster the new concepts so that they can correspond with the commodity economic development when giving guidance to economic work, such as the concepts on market, information, competition, input and output, the value of time, the increased value of funds through circulation, and economic regions, and break with the influence of the ideas of the natural economy and the product economy. In the meantime, we should carry out overall control, guidance, coordination, and service with new leadership methods with regard to the commodity production and lateral economic cooperation, and change [words indistinct] exercising economic leadership according to administrative divisions and through administrative means, which was formed under the old system of setting barriers between different regions and departments. Not only should we do a good job in internal vertical leadership, but we should also eliminate the barriers between different departments and regions, and do a good job in external lateral ties and business discussions. We should give guidance to economic work according to different economic areas, and with economic and legal means. According to the requirements of the state's Seventh 5-Year Plan, we should not only facilitate the establishment and development of the first-level Beijing-Tianjin-Tangshan economic network but establish and develop the second-level economic network centering on the capital of the province, and the third-level economic network centering on various medium-sized cities, and make them cooperate and promote one another. Other economic networks, such as the Baohai Economic Zone, the areas contiguous to Shanxi, Hebei, Shandong and Henan provinces, and the areas contiguous to Hebei, Shanxi and Nei Monggol, should also be developed. We should formulate strategies for economic development, rationalize the disposition of productive forces, and restructure the economy according to economic areas, and in line with the requirement for all-direction economic cooperation.

Lateral economic cooperation is a very vigorous and complicated economic activity, which involves all fields and departments. Therefore, under the unified leadership of the CPC Committees and governments at all levels, we should fully arouse and make use of the enthusiasm of industrial and communications, commercial, supply and marketing, foreign trade, agricultural, scientific and technological, banking, tax, statistical, political and legal, and discipline inspection departments, and proceed from the overall interest in coordinating with them to form a powerful force. Lateral cooperation urgently calls for the lateral coordination of various economic management departments. In view of the situations reflected at the meeting, we can see that at present, the phenomena of shifting responsibility onto others, disputing over trifles, and handling affairs inefficiently are relatively conspicuous among different departments and different levels. Among comrades of the provincial-level departments and local departments, some have not yet fostered the idea of "leadership being service." Instead of willingly serving as the public servant of the people and wholeheartedly and voluntarily serving the grassroots areas and enterprises, they let grassroots areas and enterprises' comrades serve for their own interests, and even obstruct these areas and comrades, thus delaying the handling of quite a few affairs. Such situations must be changed. Under the current situation in which various systems have not yet been rationalized completely, we can improve service quality and work efficiency by holding regular coordination meetings of various departments, by organizing relevant departments to jointly handle

affairs on the spot, by implementing the responsibility system in target management, and by strengthening the supervision and investigation of the work. Those bureaucrats who have caused serious losses as a result of shifting responsibility onto others and disputing over trifles should be dismissed from their posts or be punished according to the party and administrative discipline. Those who are guilty of dereliction of duty should be punished according to the law.

Along with the deepening of the lateral economic cooperations, it is extremely necessary to set up a capable and high-efficiency organ in charge of economic and technological cooperations at each level of the government. At present, among the economic and technological cooperation organs at the levels from the province to the prefecture, city, and county, such universal problems as low standards, insufficient staff, poor quality, and failure in keeping abreast of the development of current situation exist. We must rapidly strengthen and consolidate these organs.

5. We should master the two major skills, and achieve still greater success in the work during the Seventh 5-Year Plan period.

Although the progress rate of the provincial economy was not slow during the Sixth 5-Year Plan period, the level of the entire economy is still relatively low because we made a beginning rather late. Now, the task we face is to continue to give top priority to the reform focusing on the economic construction, and to vigorously promote the province's socialist modernization drive during the Seventh 5-Year Plan period in order to invigorate the province's economy and culture in a still faster manner. This is the important starting point and ending point of all our work, as well as the goal set forth by this meeting which should be attained in developing the lateral economic cooperations. To fulfill the heavy tasks entrusted upon us, and to achieve success in the work during the Seventh 5-Year Plan period, an important thing is to implement the demands put forward by Comrade Hu Yaobang, which is to study how to creatively implement the principles and policies of the central authorities. Another skill we should study is to correctly handle the inner-party contradictions.

The key to creatively implementing the principles and policies of the central authorities lies in the specific implementation of the instructions of the central authorities in line with the practical situation. In the past, an old defect in our work was the indiscriminate copying of the instructions of the central authorities. Being accustomed to the mechanical implementation of the instructions of the central and higher authorities, some cadres refused to conduct penetrating investigation and conscientious study of the practical situation of their own localities, and thus could not put forward specific measures for implementation. When there are some changes in the situation, such cadres dare not overstep the bounds of the instructions, and are not good at creatively implementing the instructions in line with the guidelines of the general policies of the central and higher authorities. Just as Comrade Mao Zedong pointed out, such a situation seems to implement the instructions of the central authorities and higher authorities, but actually it is a negative indication of going slow. Now we are in the period of the comprehensive reform and the period of transition from old systems to new ones. In this period,

the old and new systems collide with each other and play their roles in turn. Therefore, eternal changes will emerge in this period. Under such a situation, we should all the more carry forward the spirit of reform and the pioneering spirit, creatively implement the principles and policies of the central authorities, be good at exploring the new situations emerged in reform, and be brave in solving those problems revealed from the old systems and which hamper the development of productivity. At the same time, we should constantly accumulate fresh experiences, and enhance the level of our leading work. Comrades of economic departments should pay still greater attention to this work. With regard to the issues contradictory to some present regulations, all departments should go deep into reality to conduct investigations and studies, and may adopt some flexible measures as long as they do not violate the general policies of the central authorities. New things for which there are no ready-made regulations to follow, but which are conducive to the state and the people, may be developed with new methods. We should not wait for, rely on or ask for directives. Of course, timely reports should be made for instructions on important issues. If all our cadres can perform their work with such mental and work attitudes, there will be good prospects for Hebei's overall development.

Correctly handling the contradictions within the party, and creating a more stable and united political environment and important prerequisites for a more successful reform and a more developed economic construction. Some comrades say that in developing lateral economic cooperation, the relationship between reform and correction of unhealthy trends should be handled successfully. This issue, which is an important issue we should resolve in order to correctly handle the contradictions within the party, also often appears in other economic activities. Both the overall reform and the correction of unhealthy trends are important policy decisions of the central authorities, and two major tasks we should continue to grasp firmly and successfully. Thoroughgoing reforms in economic, political, and cultural fields will facilitate a fundamental improvement in party style and social conduct, and the correction of unhealthy trends is a guarantee for the smooth progress of reform. Therefore, it is wrong to emphasize one of them and neglect the other, or to set one against the other. Comrades carrying out reform should persistently resist and correct unhealthy trends, safeguard party discipline and state law, and support discipline inspection, public security, and judicial and procuratorial departments in the investigations and handling of major and serious cases. Comrades in charge of discipline inspection, public security, and judicial and procuratorial work should understand and support reform, and protect the enthusiasm of cadres and people for reform. A strict demarcation line should be drawn between the mistakes arising in the course of reform resulting from a lack of experience and the practice of taking advantage of reform to abuse power for selfish gains, between ordinary shortcomings and mistakes and serious violations of law and discipline, and between the mistakes in leading persons' policy decisions and those committed during the implementation of the policy decisions. The mistakes arising in the course of reform, ordinary shortcomings and mistakes, and problems in the implementation of policy decisions should be tackled mainly by summing up experiences. With regard to the mistakes in leading persons' policy decisions, it is the leading persons concerned, not the people implementing the policy decisions, who should be held accountable. People engaged in serious law-breaking and

criminal activities in the name of reform must be resolutely exposed and strictly dealt with, and never be left unpunished.

To master the two major skills, in the final analysis, depends on the improvement of the competence of our cadres contingents, particularly, the competence of leading bodies at all levels. The 1986 "outline guiding the work of the provincial CPC Committee" stresses that extremely great efforts should be made to improve the competence of the cadres contingents. We should persistently stabilize, replenish, and improve, with the focus on improving, the leading bodies at and above the county level. To train and improve the competence of the cadres contingents is a task of top priority, and also important intellectual investment of far-reaching significance. With this task successfully accomplished, the enthusiasm and creativity of the masses of cadres fully aroused, and their wisdom and intelligence developed to the maximum, and by relying on the cadres in uniting with the masses, we will overcome all our difficulties, carry out our undertakings more successfully for the Seventh 5-Year Plan period, and push the work in various fields up to a new level.

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22 July 1986

## FINANCE AND BANKING

## CHEN MUHUA ADDRESSES CONFERENCE ON FINANCIAL WORK

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese 4 Dec 85 pp 2-4

[Digest of speech given on 17 October 1985 by Comrade Chen Muhua [7115 1970 5478] at the conference of branch managers of the People's Bank of China; article heading provided by editor: "Clearly Understand the Situation, Do a Good Job; Spur on the Building of the Two Types of Civilization [material and spiritual]"]

[Text] Our Present Economic and Financial Situation

Our present economic situation is good; the national economy has begun to display a new overall aspect of sustained, stable, and coordinated development. The gross value of industrial output for the period from January to September increased 21 percent compared with the corresponding period last year, and economic benefits have improved. Due to the reorganization of the structure of agricultural production and to natural calamities, the production of grain declined, but bumper harvests were obtained in all other crops this year.

From January to September this year, working under a series of directives by the State Council regarding the control of credit volume and supported by Party committees and governments at all levels, energetic efforts by banks to strengthen financial macroeconomic control and revitalize the financial situation, have met with success in the following areas: 1) Control has been established over the scale of loans. 2) Simultaneously with the control of credits, banks at all levels have effectively organized deposits. Urban and rural deposits increased by 29.49 billion yuan, which was 9.53 billion more than the increases during the corresponding period last year. 3) Control of foreign exchange was strengthened, and an initial stop was put to the unrestrained spending of foreign exchange. As a result of the control of credits, less currency was put into circulation.

Over this past year, the People's Bank in cooperation with other banks on the one hand controlled the credit volume and the amount of currency in circulation, and on the other hand strongly supported production and ensured availability of all necessary funds for spring cultivation and the procurement of agricultural and sideline products. This paved the way for smooth implementation of economic system reforms and had a positive effect on



controlling overall social demand, slowing the excessively rapid growth rate, curbing the excessively large scale of investments in fixed assets, and the overly rapid increase in consumption funds.

Although we have met with some success in controlling credit volume and curtailing the amount of currency in circulation, we must certainly not relax in our efforts, but exert ourselves further. Certain problems require a high degree of attention, and effective measures must be taken for their solution. One problem is that it will be quite difficult to fulfill targets planned for deposits by the end of the year. A second problem is the strong demand from all quarters for loans, and the marked contradiction between supply and demand for credit funds. A third problem is that in spite of the fact that currency put into circulation during the period from January to September was less than that during the same period last year, the peak period for the procurement of agricultural and sideline products has been deferred and the increase in consumption funds has not yet been completely brought under control. In view of these conditions, the banks must continue to implement a policy of tight control without the slightest letup through the fourth quarter of this year. We must under all circumstances avoid letting matters get out of hand, as happened during the fourth quarter of last year. The fourth quarter is the most critical period in the year. If we do an effective job during the fourth quarter, we can be sure to achieve the objective of overall control for the whole year. If we should relax, all our efforts during the previous 9 months will have been in vain. Of course, we must not apply a dead rigidity in all matters for the sake of control. What we need is for everyone to give full play to the functions of the banks and adjust and utilize funds under existing fund limitations. We must realize that there is still potential and that which should be invigorated must be invigorated. At the same time that we control the credit volume, we must organize more funds; only by organizing an increase in deposits, can we somewhat alleviate the conflict in the supply and demand for funds. Otherwise, if deposits decline and loans increase, the conflict between supply and demand is bound to be aggravated. The way out of the dilemma is to organize deposits. We hope that party committees and governments at all levels will continue to support the work of the banks and consolidate and advance the achievements we have made in the macroeconomic control of finances.

#### Problems We Face in the Fourth Quarter

1. Leading comrades of the State Council have directed that no adjustments be made in this year's plan regarding currency issuance and credit volume. We must continue strict controls. In their actual work, banks must deal with each case on its merits. Where restraints are in order, they must be imposed. Whatever deserves invigoration must certainly be invigorated. Loans for fixed assets and to town and township enterprises must be granted strictly according to state-approved plans and must not exceed the limit. Any excess must be resolutely collected back. To relieve money shortages at specialized banks, the main office of the People's Bank has already approved the supply of temporary loan quotas to all its branches. The funds are to be under the unified control of each local branch of the People's Bank and are to be used to ensure the procurement of agricultural and sideline products, and to

provide funds for the production and procurement of easily marketable consumer goods and export commodities. Their temporary loan quotas, originally to be repaid by the end of November, may be extended to the end of the year. However, we must strengthen the management of these funds, accelerate their turnover and make every effort to bring them back. Where a genuine need exists at the end of the year for the further use of the funds, the case must be reported to the main branch of the People's Bank according to regulations. After its approval, the funds may indeed be used beyond the end of the year. However, such funds are still loaned only for temporary need; they must be collected back next year and must not be taken as a 1985 loan base. All specialized banks which find themselves short of funds must energetically organize deposits to strengthen fund management; they must not pin their hopes on further loans from the People's Bank. Looking at the banking system as a whole, there are not enough deposits, but in certain areas and in certain banks, there are not only substantial deposits but also substantial loans. In order to avoid excess issuance of loans, banks in these areas must exercise self-economic control and not increase their loans. Excess funds should be given to banks higher up in authority to distribute as they see fit. Under no circumstances must we repeat in the fourth quarter of this year the flood of loans that occurred at the end of last year. No specialized bank must use such improper methods as suppressing reports, withdrawing vouchers, or taking over funds from other banks in order to expand their loans. This must be made an article of discipline; whoever violates it shall be held responsible. We must continue to strictly restrain the flow of cash into circulation, strengthen the control of consumption funds, strengthen cash management, and do the utmost to put fewer banknotes into circulation.

In the recommendations of the C-P Central Committee for the Seventh 5-Year Plan, there is the explicit demand that the People's Bank strengthen its guidance and control over the business operations of the specialized banks and other financial institutions. Every branch of the People's Bank must conscientiously exercise this responsibility. The specialized banks and other financial institutions must respect and submit to the guidance and control of their business operations by the People's Bank.

2. Presently, some trust and investment companies indiscriminately take bank funds, rashly expand fixed asset loans, and in financial matters treat public property as if it were their private possession. The problem has become very acute and must be eradicated and rectified by resolute action. The trust and investment companies may be established only in case of need in large and medium-sized cities. None may be set up in administrative entities of county or smaller jurisdiction. Funds for fixed assets must be included within the scope of the state's fixed asset investments. The trust and investment companies must institute their own independent accounting system, be responsible for their own profits and losses, pay taxes according to law, and accept the guidance and control of the People's Bank.

3. Recently, the financial departments of some localities have accumulated extra-obligatory funds and loaned them out. This had an adverse effect on the prompt balance and expanded the scope of fixed asset investments; it is not to be permitted. Recently, the government of the Guangxi Zhuang Autonomous Region approved the establishment of a "Guangxi Zhuang Autonomous Region

Development Investment Company" by its bureau of finance, and this company in turn set up branches in various cities and conducted its own business of accepting deposits and granting loans. To cope with this problem, the State Council issued a circular, dated 2 September, asking for a quick rectification of matters, the immediate cessation of all business activities of the said company, dissolution of the said organization, immediate return of funds diverted from banks, and, prior to repayment, the freezing of all funds by the bank, prohibiting their further use. Similar problems have now arisen in certain other localities, and leading comrades of the State Council have issued a written instruction: The People's Bank must exercise its functions and powers by immediately, clearly and definitely, making it known to its branches that actions of this nature are not permissible, and that contraventions will be regarded as a breach of discipline. Based on this instruction, the bank's head office telegraphically advised all localities to stop all such practices. Wherever funds have been transferred out, they must immediately be collected back. If this is not done, the manager of the People's Bank branch concerned will be held responsible.

(4) Strict control of foreign exchange shall be continued, but anything that deserves support must certainly be supported. We must strengthen the centralized control of the use of commercial credits for foreign trade (including export credits, debentures and free exchange). No locality or department may make loans or issue debentures to foreign parties without approval from the head office of the People's Bank, nor may they carry out feasibility studies prior to the issue of debentures.

(5) To enable further improvements in operations as holding cash in treasuries, deposits made to the state, deposits made by private citizens as well as in planning and statistics work, all of which are needed to strengthen auditing and financial control of specialized banks, the People's Bank will retain its county-level organizations. This has already been approved by the leading comrades of the Central Committee, and we have to take this matter firmly in hand and carry it out. The number of county-level organizations to be retained in the various localities will be decided by the People's Bank branches at the provincial, autonomous region and directly administered municipality levels according to actual conditions. At present the county-level branches of the Industrial and Commercial Bank carry a heavy work load and are understaffed; the retention of the county-level organizations of the People's Bank will still require joint consultations between the People's Bank and the Industrial and Commercial Bank, when the situation as a whole must be taken into consideration and good work style must be encouraged.

(6) Bank cadres are presently insufficient in numbers and of low quality and are most inadequate for the heavy responsibilities borne by the banks. Premier Zhao has recently directed us: We must train bank cadres, raise their quality, and include the training of bank cadres as an important task in next year's financial and banking reform. We must conscientiously implement this directive, and the responsible comrades in all bank branches must attach importance to the work of educating cadres. We must effectively maintain special colleges of finance and specialized secondary schools, and strengthen on-the-job training of cadres, in order to meet the needs posed by the development of our banking business.

## Work During 1986

The recommendations for the Seventh 5-Year Plan adopted by the National Party Congress are a clear guideline for the reform of our finance and banking system and raise very high demands on the work of the banks. According to these demands, the head office of the People's Bank has formulated tentative plans for next year's work. After further investigations and studies, and after soliciting opinions from all quarters, we will draw up a revised official suggestion for next year's work, for which we shall make all dispositions at the next conference of branch managers early next year. All bank branches should also engage in further investigations and studies, and should launch discussions on the topics brought up at our present conference, so that a uniform understanding may be reached in upper and lower levels and a joint effort be made for an even better accomplishment of this year's and next year's work.

We should emphasize here once the question of developing the socialist spiritual civilization within the banking system. At the National Party Congress, Comrade Deng Xiaoping pointed out: "In our present efforts to build up a spiritual civilization we must first of all focus on improving the workstyle of the party and the general mood of society." Comrade Chen Yun also pointed out: "The matter of rectifying the workstyle of the party must not be lightly brushed aside." Looking at conditions in the banking system, there have indeed been some gradual improvement in the workstyle of the party and the bank, but since the latter half of last year some very serious malpractices have occurred, such as granting loans for illegal transactions, speculative trading in foreign exchange, unauthorized retention of profits, offering and taking of bribes, persons enriching themselves at the expense of the state, etc. While they were actually charged with the execution of law, certain bank cadres violated the law, causing very serious trouble. These unhealthy tendencies have corrupted a number of our party cadres, and this has adversely affected and jeopardized our financial reform. If these problems are not solved, they will not only lead to the downfall of certain cadres, but will endanger the reform of our economic system and endanger our economic construction. Recently, the Central Discipline Inspection Commission took stern action against leading cadres of the Hunan Agricultural Bank, who were involved in a case of unauthorized retention of profits. We have to deal with this problem in a correct way, sum up experiences and lessons, and regard this case not only as the disposition of a single case, but as indication of the concern and support shown for the work of banks. Only stern punishment will benefit the building up of a contingent of good bank cadres. We are fully determined to develop the socialist spiritual civilization within the banking system and to strengthen disciplinary supervisory work and auditing work.

The party organizations at all bank branches must conscientiously implement all relevant documents issued by the Central Discipline Inspection Commission, must make it their important concern to resolutely put a stop to such evil practices as granting credits for illegal transactions and illegal use of foreign exchange. All should launch thorough investigations into the state of credits, foreign exchange and other financial matters, to achieve outstanding results in the course of this year. The branches of the foreign exchange



control bureau in the various localities must comply with the demand of the Central Disciplinary Inspection Commission and effectively strengthen foreign exchange control, so as to change the present state of ineffective administration and control.

We must strictly enforce party discipline; whenever a case of malpractice is discovered, the responsible personnel shall be held responsible and severely punished. Especially in certain important cases and big cases involving leading party cadres, there must be a rigorous investigation, without the slightest show of leniency. The leadership in the bank branches at all levels must firmly maintain a clear-cut stand in the protection of the interests of the party and the state and set an example in fighting all violations of law and discipline.

We must effectively strengthen ideological and political work. We must launch education among the large number of our cadres, staff and workers for the firm insistence on the four fundamental principles and for the maintenance of ethics, culture, and discipline; everyone must be made to honestly perform his official duties and respect discipline and law.

We must foster a mentality of wholehearted service to the people and make every effort to improve our workstyle and our attitude of service, overcoming the workstyle of "bureaucrat bankers." A good attitude of service is the precondition for our success in ensuring the smooth accomplishment of our objectives and of our overall task, and is also concrete evidence of good ideals, ethics and discipline. All banks should conscientiously deal with the problem of service attitudes, emphatically commend good examples and sternly criticize and educate any deficient unit and individual.

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FINANCE AND BANKING

HEILONGJIANG'S FINAL 1985 ACCOUNTS, DRAFT BUDGET FOR 1986

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[Report on Heilongjiang Province's 1985 final accounts and the draft 1986 budget delivered by Zhao Jicheng, director of the provincial Finance Department, at the Fourth Session of the Sixth Heilongjiang Provincial People's Congress on 21 May]

[Text] Fellow deputies:

On behalf of the provincial people's government, I now submit for your examination a report on the province's 1985 final accounts and the draft 1986 budget.

1. The province's final accounts for 1985.

In 1985, under the leadership of the provincial CPC Committee and the provincial people's government, the people of all nationalities throughout the province conscientiously implemented the guidelines of the Third Session of the Sixth Provincial People's Congress, and scored great achievements in production and construction, in economic reform, and in all other undertakings. On the basis of further consolidating the stable and united political situation and effecting a sustained, stable, and coordinated development of economy, our province logged substantial increases in both revenues and expenditures; and maintained a balance between revenues and expenditures, with a small cash surplus in hand. The task on the province's budget for 1985 has already been overfulfilled.

In the 1985 provincial budget adopted by the Third Session of the Sixth Provincial People's Congress, revenues were budgeted at 3.12 billion yuan, and expenditures were at 2.85 billion yuan. In the course of implementing this budget, the collection of the urban maintenance and construction tax, the pollution drainage charge, and the water resources fees added 270 million yuan to the revenues; and the increased quotas, assigned by the state to our province, on the appropriations for capital construction, for tapping the potential of enterprises and carrying out technical transformation, for disaster relief, for subsidizing the construction of border areas, and for aiding underdeveloped areas added the budgeted expenditures by 1.09 billion yuan. When adding the expenditures transferred from the previous to the following

year and the expenditures provided by the above-quota revenues and the maintenance funds collected in 1984 (totaling 890 million yuan), the total figure of 1985 expenditures increased by 1.98 billion yuan in total. According to the readjusted provincial budget for 1985, the total revenues were 3.39 billion yuan, and the total expenditures were 4.81 billion yuan. (The major readjustments and changes of the budget had already been reported to the 17th Standing Committee meeting of the Sixth Provincial People's Congress in October 1985.)

Results of the implementation of the province's budget for 1985 are as follows: Revenues totaled 3.742 billion yuan, or 110.4 percent of the figure of the readjusted budget. The available financial resources of the province totaled 4.648 billion yuan, after adding the special subsidies from the central authorities which was 1.09 billion yuan, adding the 330 million yuan of allocations for making up the insufficiency of resources etc., adding the amount left from the previous year for continued use in the following year and the cash surplus of the previous year which amounted to 424 million yuan, deducting the 348 million yuan of revenues which should be turned over to the central authorities in line with stipulations, and deducting the 390 million yuan of expenditures which should be transferred to the following year for continued use in line with the stipulations. The 1985 provincial expenditures totaled 4.483 billion yuan. The accounts showed a favorable balance of 165 million yuan, of which 2 million yuan was the surplus of the provincial authorities, and 163 million yuan was the surplus of various prefectures, cities, and counties. In line with the stipulations of the present financial system, the surplus of the prefectures, cities, and counties should be left to their discretion.

In the total revenues of 1985, revenues from taxes, industrial and commercial taxes totaled 4.319 billion yuan, revenues from industrial enterprises totaled 163 million yuan, revenues from commercial taxes totaled 3.4 billion yuan (of which 1.6 billion yuan was returned to the central financial authorities), revenues from agriculture and forest enterprises totaled 1.1 billion yuan (which was returned to the central financial authorities), revenues from urban enterprises totaled 3.1 billion yuan (which was returned to the central financial authorities), subsidies to make up the price difference of grain and edible oil totaled 1.2 billion yuan, and revenues from enterprises totaled 1.767 million yuan.

Of the total expenditures in 1985, expenditures for capital construction were 556 million yuan. Funds granted to the central enterprises and enterprises and finance their technological transformation totaled 105 million yuan. Expenditure for three scientific and technological items was 38 million yuan. Appropriations for agriculture, forestry, and water conservancy projects and other operational expenses for agriculture rose to 482 million yuan. Expenditures for culture, education, science, and health services totaled 1,096 million yuan. Appropriations for construction for low-income families and those for social relief facilities totaled 912 million yuan. Administrative expenses amounted to 563 million yuan. Unallocated expenses amounted to 563 million yuan. Appropriations for collecting the added grain and the above-quota grain and edible oil were 774 million yuan.

In 1985, the province also collected 235 million yuan of funds for key energy and transportation projects and sold treasury bonds totaling 258 million yuan, overfulfilling the state assigned tasks. Thus, the province has made contributions to increasing the state revenue and supporting state key construction projects.

Since the province began to carry out the financial contract system in 1980, 1985 was the sixth successive year to realize a balance between revenue and expenditure with a little surplus. The increase rate of the 1985 revenue was higher than the average annual growth rate in the previous 5 years. In 1985, the province's revenue, industrial and agricultural output, and commodity circulation increased at the same pace on the whole. These achievements were realized amid considerably serious natural disasters and more factors for reducing revenue and increasing expenditures (such as raising the prices of short-distance transportation and electricity and readjusting the coal prices). This indicates that our local financial strength has been enhanced, the foundation for balancing budgetary plans has further been stabilized, and the province's financial situation has further been improved.

As the figures for 1985 show, the province has made great achievements in economic development and has made new progress in financial work. These were due to the fact that we persistently carried out the central authorities' principles of invigorating the domestic economy, opening to the outside world, and carrying out economic structural reform as well as the provincial CPC Committee's economic development strategy of "carrying out economic restructuring, conducting technological transformation, opening to the other places, and making the country and the people rich;" and persisted in the correct guiding ideology of enlivening microeconomy and strengthening microeconomic control.

1. New achievements were made in reforming the financial and tax revenue systems. Reform of the economic structure with a focus on cities was further facilitated. In accordance with the state unified plan, in 1985, the province carried out the reform of price and wage systems. Confronted with the factors reducing revenue and increasing expenditures brought about by the reform, the governments at all levels gave financial guarantee to assure a win in the first battle of the reform. Simultaneously, the province also carried out a new financial system of defining different categories of taxes, examining and approving revenue and expenditure, and the authorities at different levels each fixing its responsibilities. In response to the requirements of the provincial CPC Committee on bringing benefits to cities and counties, the provincial Financial Department allocated 100 million yuan of funds to readjust unreasonable basic figures for revenue and expenditure and support remote, frontier, and poverty-stricken areas. Thus, the CPC committees and governments at all levels were full of enthusiasm for playing a major role in managing the financial affairs. In order to facilitate the solution of the problems in which grain enterprises suffered great losses for a long period of time, we further reformed methods of managing financial affairs of grain enterprises and changed their contract targets. The provincial Financial Department also allocated about 100 million yuan of funds to support this reform. In order to comprehensively improve the relations between the state and the enterprises in distribution and to enhance the vitality of the enterprises,

1. We vigorously developed production, grasped the work of ending deficits and increasing profits, and raised the economic results of enterprises. In order to further develop rural commodity economy, strengthen construction of town and township political power, and accelerate the pace of building town and township financial departments, 875 towns and townships across the province established financial departments, accounting for 82 percent of the total towns and townships. Through these reforms, all localities and departments were mobilized with enthusiasm for increasing income and reducing expenses and turning deficits into profits, and local financial departments have been further vitalized.

2. We vigorously developed production, grasped the work of ending deficits and increasing profits, and raised the economic results of enterprises. In 1985, the governments at all levels grasped financial work focusing on raising economic results, improved economic results through attending to financial work, actively developed lateral economic cooperation among enterprises, promoted technological progress of enterprises, developed production, expanded the circulation channels, ended deficits and increased profits and did much effective work. That year, in operation and management, we improved the financial management system of small enterprises after they had been given a free hand in operation, and promoted the advanced experiences of large and medium-sized enterprises in comprehensively implementing the economic accounting system. In financial policies, we implemented some new measures in an effort to support the technological progress of enterprises and improve their efficiency, gave preferential terms to more than 40 large and medium-sized enterprises covered by the key transformation plan, and implemented some new regulations to urge enterprises to end deficits and to encourage them to increase profits. In tax reduction and exemption and the circulation of funds, the province, as a whole, reduced and exempted enterprises from paying a total of 220 million yuan of taxes by allowing them to repay loans instead of delivering taxes. The financial departments at all levels persisted in vitalizing financial distribution, and reformed the methods of putting funds into circulation. Some funds given in the form of gratis aid were changed into paid utilization. The amount of funds used for supporting all trades and professions in developing production and in carrying out technological transformation was increased by a fairly large margin over the previous year. Through the concerted efforts of all quarters, our province's total industrial output value and total retail sales of commodities in 1985 showed an increase of 11.9 percent and 16.1 percent respectively over the previous year. The amount of profits retained by the industrial and commercial enterprises throughout the province increased by 93 million yuan and 22 million yuan respectively over the previous year, an increase of 36.8 percent and 30.9 percent respectively. The average amount of profits retained by the staff and workers increased by 94 yuan and 87 yuan or 30.8 percent and 30.9 percent respectively over the previous year. The amount of profits earned by the industrial enterprises covered by the provincial budget increased by 146 million yuan, or 23.3 percent over the previous year. The local financial revenue of the province (excluding that in terms of comparable standards) increased by 330 million yuan, or 4.6 percent over the previous year, exceeding the average growth of 3.9 percent in the past 5 years.

3. We should increase the amount of funds in circulation, grasp the essential points, and basically guarantee the needs of developing key construction projects and intellectual resources.

In 1985, the province's total expenditure (calculated in terms of comparable standards) increased by 230 million yuan or 6.5 percent. That year, the state and provincial investment in capital construction was comparatively big and the rate of completion of capital construction projects reached 57.5 percent. The 10 single items of large and medium-sized projects which the state demanded for operation according to plan, such as the No 2 Mudanjiang Power Plant, had all been completed and commissioned on schedule or ahead of schedule. The expenditure on cultural, educational, scientific, and public health undertakings increased by 180 million yuan or 20.6 percent over the previous year. Of this, the allocation for educational undertakings increased by 101 million yuan or 21.2 percent over the previous year, greatly exceeding the growth of financial revenue and expenditure. In order to raise the results of the utilization of funds, and to solve problems badly needed for solutions, the special funds for helping primary and middle schools repair run-down houses, install school facilities, and change the double-shift system in primary and middle schools came to 36.5 million yuan; and the special funds for improving medical and public health conditions, 5.5 million yuan; and that for popularizing sports, cultural relics, broadcasting, family planning, and scientific and technological findings, 7 million yuan. Along with the increase in the investment in developing intellectual resources, new progress was also made in educational undertakings. The number of postgraduates, students of regular and specialized courses, and students of secondary specialized schools showed an increase of 140 percent, 17.8 percent, and 19.5 percent respectively over the previous year. The average per-capita amount of funds for the students of higher educational schools, regular middle schools, and primary schools increased by 86 yuan, 16 yuan, and 9 yuan respectively over the previous year. The province, as a whole, built 150,000 square meters of primary and middle school buildings, repaired 610,000 square meters of run-down school houses, and added 320,000 sets of tables and chairs for students.

The rate of the double-shift system in primary and middle schools throughout the province dropped by 1.1 percent from last year, and 44 counties abolished this system. Rapid progress was made in public health undertakings. The average allocation for each hospital bed of medical organs at and above county and town level showed an increase of 313 yuan over the previous year. About 60 percent of hospitals at and above county level were equipped with new and comparatively advanced medical equipment. Medical conditions improved remarkably. New progress was also made in various undertakings such as science, culture, press, publication, broadcasting, cinema, and television, greatly contributing to socialist spiritual civilization.

4. We continued to increase investment in old revolutionary bases, minority areas, outlying areas, and poverty-stricken areas and some destitute cities and counties, gave them special care and promoted the development of production and construction in these areas. In 1985, in order to further support the minority areas, border counties, and economically underdeveloped cities and counties in changing their outlooks, in addition to continuously reducing or exempting the taxes of some border counties that were entitled to receive



subsidies, we also gave them a fixed quota progressive increase of 5 percent in subsidies. At the same time, we also increased the allocation of special funds. In 1985, the province's budgetary funds for supporting the development in the border areas totaled 19 million yuan, doubling that of the previous year. Furthermore, 8 million yuan of funds were allocated to help develop the underdeveloped areas. The preferential policies and the support of funds played an active role in helping these areas increase production, open up financial resources, solve problems in education, public health, housing for staff and workers, and broadcasting and radio undertakings, make up for the deficiency in production and livelihood, and accelerate the development of economic construction and other undertakings. According to the stipulations of the new financial system, the province and the various cities and counties had "to take responsibility for their own finance." However, over the past few years, the provincial Financial Department allocated a certain amount of funds to help some financially difficult counties solve problems. In 1985, such a sum totaled more than 30 million yuan. That year, in order to help some cities and counties whose economic foundations were poor and those [words indistinct] difficulties in balancing their budgets to develop production, open up financial resources, and increase income, the provincial Financial Department, in the course of implementing the [word indistinct], also allocated some 2 million yuan to help these cities and counties initiate more than 30 transformation projects and tap potential. Such a move had played a very good role in instilling vitality into the county-level financial and economic units and in improving their ability to balance their budgets.

5. Along with the development in production, we should guarantee gradual improvements in the livelihoods of the people in terms of financial distribution and policies. In 1985, in line with the state unified plan, our province made an important step in reforming the wage system. We implemented the structural wage system focusing on the position wage system among some state organs, and establishments, and conducted pilot work of proportionally increasing or reducing the total amount of wages of the staff and workers according to the economic results of enterprises, and properly readjusted the standard of wages of workers of a great number of enterprises where the system of adding bonuses to the basic wages was being implemented. The financial departments at all levels gave necessary financial support to these reforms. During last year's price reform, the state had appropriately raise the selling prices of pork. In order not to affect the people's living standards, the central and local financial departments, enterprises, the administrative units, and establishments allocated a total of 270 million yuan to staff and workers in cities and towns as their subsidies for meat price increases. In order to help the disaster-stricken peasants tide over difficulties and to help them restore production immediately after a year of natural disasters, the province as a whole reduced and exempted peasants from paying a total of 41 million yuan as their relief funds for production and livelihood. Thanks to the adoption of the above measures, the livelihood of the people throughout the province continued to improve. The average income for the living expenses of the urban residents showed an actual increase of 14.1 percent over the previous year if the price rises are factored in.

2. We further enforced financial and economic discipline through the general inspections on tax revenue, financial affairs, goods prices, and foreign exchanges. In accordance with the unified plan of the State Council, the province successively conducted two general inspections on a larger scale in order to strengthen supervision over financial affairs, enforce financial and economic discipline, and eliminate unhealthy practices in the economic field.

Through the general tax and financial inspection which concluded in the first half of 1985, a total of 218 million yuan of funds gained by violating discipline had been discovered, and 160 million yuan of funds had been handled and redressed. This helped increase more than 40 million yuan of revenue. The general inspection on tax revenue, financial affairs, goods prices, and foreign exchange which was carried out from last September to March involved many fields. We have scored more notable achievements in this inspection. A total of 495 million yuan of funds gained by violating the discipline had been discovered. Of the 270 million yuan that should have been handed over to the financial department, 222 million yuan have been returned to the department. The general inspections helped promote a large increase in revenue, ensure a balance between revenue and expenditure, promote a turn for the better in party style and social conduct, facilitate and the development of the struggle against economic criminal activities, and ensure a smooth progress of economic restructuring.

The 1985 provincial budget was implemented satisfactorily. However, there still remained quite a number of problems. Although the province realized a balance between revenue and expenditure, cities and counties failed to maintain balance between their revenues and expenditures. Although we have improved the situation in which financial subsidies must be given to some counties, we failed to reduce the number of counties in need of large amounts of financial subsidies. Some departments and areas scored poor economic results, some trades suffered increasingly more deficits, and some trades earned fewer profits. Contradictions between supply and demand prominently existed. We failed to effectively pursue higher economic results, strictly control administrative expenses and institutional purchasing power, or basically eliminate extravagance and waste. There also remained quite a few problems in financial management in which the tendency of tax evasion and losses from wasteful expenditures seriously existed among some localities and units. Therefore, from now on, we should continue to sum up experiences and draw lessons in order to conscientiously solve these problems.

#### 4. The draft budget for 1986.

Nineteen eighty-six is the first year of the Seventh 5-Year Plan. In keeping with the principles, policies, tasks, and general demands for financial and economic work set forth by the state and the province in their Seventh 5-Year Plans, the 1986 budget was drawn up according to the following major principles: On the basis of promoting production development and increasing economic results, we should ensure a stable increase of revenue. In accordance with the principle of ensuring key construction projects and taking account of general construction projects, we should properly increase the appropriations for supporting agriculture on the premise of ensuring that

expenditures for scientific, technological, and educational undertakings should be higher than the normal increase of revenue. In line with the principle of keeping expenditures within the limits of income and the principle of acting according to one's capability, we should continue to strengthen macroeconomic control, improve and strengthen the overall financial balance and financial management, reduce administrative expenses, and persistently keep certain amounts of funds in reserve.

In accordance with the state regulations, this year, we should change the method of listing price subsidies in the budget. Price subsidies for such items are grain, cotton, edible oil, and vegetables as well as marketable coal and leather products made from pigskins should be listed as an item of expenditure instead of deducting from budgetary revenues. The 1986 expenditure for price subsidies is targeted at 566 million yuan. Through carrying out this method, proper increases in both revenue and expenditure will be registered simultaneously.

The draft provincial budget for 1986 I am submitting for examination has been listed in line with the new budget standards of the state, and has been drawn up in line with the state-assigned quota for revenues and the province's actual situation. The total revenues are planned at 4.23 billion yuan. Deducting the 317 million yuan of revenues which should be turned in to the state in line with the stipulations, and adding the 351 million yuan of revenues which should be allocated by the state to our province, the available financial resources of the province will be 4.264 billion yuan. In accordance with the principle of fixing the quota of expenditures according to the quota of revenues, the province has budgeted its expenditures at 4.264 billion yuan, showing a balance between revenues and expenditures.

The essential breakdown for the 1986 revenues is as follows: Revenues from various industrial and commercial taxes are 4.305 billion yuan; revenues from industrial enterprises, 184 million yuan; receipts from forest enterprises, which will be used for repaying the subsidies for losses by forest enterprises, 184 million yuan; receipts from commercial departments 49 million yuan; receipts from grain enterprises which will be used for repaying the subsidies for their losses, 485 million yuan; receipts from agricultural tax, 229 million yuan; receipts from pollution drainage and water resources charges, 33 million yuan; and receipts from other fields, 120 million yuan.

The essential breakdown for the 1986 expenditures is as follows: Budgetary appropriations for capital construction total 329 million yuan; funds to tap the potential of existing enterprises and to finance their technological transformation total 173 million yuan; appropriations for the three-purposed scientific and technological items 36 million yuan; aid to rural production and other operating expenses for agriculture, forestry, and aquatic products industry 593 million yuan; operating expenses for culture, education, science, and public health services 1.11 billion yuan; administrative expenses 607 million yuan; and expenses for the urban maintenance 224 million yuan.

The total provincial reserve funds are 98 million yuan, of which, 43 million yuan are provided by the provincial authorities, and 55 million yuan are provided by various prefectures, cities, and counties.

With regard to the revenues and expenditures for 1986, explanations are needed for the following six issues:

1. On the issue of the increase rate of revenues and expenditures for this year. The draft budget calls for increasing the 1986 available financial resources by 6.2 percent over the budgeted figure of the previous year, and increasing the expenditures by 6 percent over the previous year's budgeted figure (calculating in terms of the comparable items), both lower than the average national increase rate. Major reasons are as follows: In addition to the relatively poor economic efficiency of our province, the first reason is that after the implementation of the new financial system last year, the state incorporated the resources tax from Daqing into the fixed revenues of our province, which accounts for over one third of the total revenues of our province. Affected by the drop in profit rate of sales, this portion of revenues has decreased year by year. Although the state has agreed to subsidize the losses in line with the basic norm while making the final accounts every year, this remains a portion of revenues which cannot be increased. The second reason is that grain enterprises in our province have suffered relatively big deficits which have been caused by policies, and thus have many difficulties in halting deficits. And the third reason is that the income of forest industrial enterprises has been affected by the changes in natural resources, resulting in substantial drop in profits. These three problems have restricted the increase scale of the province's revenues to a great extent. To solve these problems, we must try every possible means to broaden sources of income and reduce expenditures, to tap the potential and increase income, and to overfulfill the target of the budgeted revenues by a still bigger margin.

2. On the issue of invigorating large and medium-sized enterprises, and enhancing the self-renovation and self-development capacity of industrial enterprises. The state has decided that beginning from this year, gradual reduction in the regulatory tax should be provided for those large and medium-sized key enterprises which shoulder heavy technical transformation and export tasks and make great contributions to the state, and the fixed assets depreciation rate of some enterprises should be raised in a continued, planned, and step-by-step manner. Proceeding from the actual situation of our province, this year a considerably large number of large and medium-sized key enterprises which are covered by the state and the province's Seventh 5-Year Plans for key renovation projects will be provided with reduction or exemption in regulatory tax and with the raised depreciation rate. Under these policy measures, profits should be yielded to enterprises in giving the first financial distribution. Arrangements have been made for this work in working out the plans for enterprise income.

3. On the issue of setting up funds for giving financial subsidies to counties. Over the past few years, the province's financial situation has been improved ceaselessly. However, some cities and counties still cannot be financially self-sufficient. This not only has brought about difficulties to the development of economic undertakings in these areas, but has also directly affected the province's financial and economic development. In order to help these areas improve their situations, the provincial people's government decided to allocate some funds from the provincial financial department

and to collect some funds from all fronts to set up funds for giving financial subsidies to these areas. The funds for giving subsidies to counties and the funds collected by prefectures, cities, and counties should be concentrated and transferred to the counties to overcome financial difficulties to tap potential of enterprises and to finance their technological transformation. The funds should be put into circulation by the method of linking paid utilization with unpaid utilization. It is expected that the arrangements for these funds will effectively help the poverty-stricken areas promote production development and improve their people's livelihood.

4. On the issue of funds for culture, education, science, public health and other undertakings and funds for supporting the development of agricultural production. The appropriations for culture, education, science and public health in 1986 are 1,111 million yuan, an increase of 17.3 percent over that of last year. The funds for three scientific and technological projects are 36 million yuan, an increase of 11.6 percent over that of last year. The appropriations for these undertakings are higher than the expenditures for other fields and the increased portion of the overall revenues. The funds for supporting the development of agricultural production increased by 9.5 percent over that of 1985, maintaining a proper growth rate. These funds should be concentratively used to popularize agricultural scientific research achievements, readjust the rural production structure, transform low-yield farmlands, and develop grain production and a diversified economy.

5. On the issue of allocating funds for wage reform. As for state enterprises that continue to practise the basic-wage-plus-bonus system in accordance with the state regulations, the additional expenditure resulting from readjustment of the wage scale can be incorporated into their production costs within the monthly amount of 7.5 yuan per capita as of 1 January 1986. By so doing, the production cost of enterprises will be increased appropriately and revenue will drop by 100 million yuan. We have taken this fact into consideration in arranging the budgetary revenue. The province also took into consideration the funds for the "phase in payment" resulting from the wage reform by administrative units and the expenditures for assessing technical titles.

6. On the issue of the province, prefectures, cities, and counties drawing up their own budgetary plans. The basic guidelines and principle of the current financial system are: "Everybody uses his own stove to do cooking" and everybody makes his own living. Thus, in arranging and implementing the budgetary plans, we should persist in the principle of keeping expenditures within the limits of one's income, acting according to one's capabilities and seeking balance between revenue and expenditure. Experiences have shown that the practice that the province helped some cities and counties overcome financial difficulties in order to make up for the financial deficits has quite a few disadvantages. In consequence, the cities and counties that make efforts to seek balance between revenues and expenditures will lose enthusiasm for strengthening financial management, and the cities and counties with financial difficulties will not pay attention to strengthening financial management and to grasping the work of increasing revenues and reducing expenditures. Through reforming the financial system, the provincial financial



Department has solved the problem concerning taking into consideration the financial affairs of prefectures and cities. Thus, all localities must neither leave loopholes nor plan deficits in arranging their budgetary plans. In implementing their budgetary plans, all localities should regularly make analysis, and timely find out and solve the problems. If suffering deficits, the localities should arrange less expenditures for next year in order to make up for the deficits left over from the previous year.

Fellow deputies, on the whole, we are optimistic about the fact that the revenue goals set in the province's 1986 budget will be attained and the expenditures will be kept under control. Although there are still more difficulties in arranging the revenue and expenditure, we have great potential to increase revenue and reduce expenditure. We believe that through the concerted and solid efforts of all localities, departments and the people of all nationalities across the province, this year's budget will be successfully executed.

4. We should strive to successfully fulfill the province's 1986 budgetary task.

In order to ensure the successful fulfillment of the 1986 provincial budget, to balance the financial revenue and expenditure, to realize the financial and economic development target for the first year of the province's Seventh 5-Year Plan, and to consolidate and develop the excellent situation, the leadership of the higher and lower levels should be of one mind and be united in persisting in reform and in pioneering the road of advance, and should grasp the following fields of work well:

First, we should proceed with the development of production, vigorously raise economic results, and strive to achieve a fairly big increase in financial revenue. This is the basic premise for fulfilling this year's budget as well as a task of top priority for accelerating the tempo of the province's economic development. The fundamental way to increase financial revenue is to develop production, and deficits, increase profits, and raise efficiency. We should make full use of local natural resources, increase the production of commodities that can find a ready market, and focus our main attention on ending deficits, increasing profits, and raising economic results in order to increase more social wealth. Our province has many avenues for opening up financial resources, tapping potential, and increasing revenue and has great potentialities. If the rate of funds, profits and taxes of the province's industrial sector attain the current national average level, we may have an annual financial revenue increase of more than 200 million yuan. The present total amount of deficits incurred by the industrial, commercial, grain, and agricultural enterprises throughout the province has reached 960 million yuan. If the policy-related deficits are excluded and the annual deficits caused by ineffective operation and management are reduced by one-third, we may increase revenue by some 100 million yuan. Owing to poor operation and management, losses and wastes, discard of worthless products, and rotten materials, the annual decrease in the economic results of enterprises is also quite big. If we adopt measures to rapidly change such a situation, all enterprises may attain a comparatively good management

level in their own trades and may increase revenue by 100 million yuan or so annually. In addition, we have good prospects for readjusting the rural production setups, developing lateral economic cooperation, and opening up production avenues for administrative units, establishments, and scientific research units. We should use our brains, broaden our field of vision, sidely open up production avenues, fully display the role of finance which may affect the economy, and further shift the major points of work to the path focusing on raising economic results. We should continue to implement the financial and taxation policies aimed at encouraging the ending of deficits and promoting increase in income, support the technological progress of enterprises, grasp the technological transformation of large and medium-sized key enterprises as an important task of accumulating reserve forces for increasing financial revenue, readjust and reduce the regulatory taxes of some large and medium-sized key enterprises that are subjected to the key transformation plan in a planned manner, properly raise the depreciation rate, increase the allocation of working funds for technological transformation, speed up the pace of enterprises' technological transformation, and intensify the vitality of enterprises and the strength of the financial departments. Meanwhile, we should adopt strict restrictive measures such as not issuing subsidies for and not reducing and exempting the taxes of those enterprises which are suffering from deficits for a long period of time and whose production cannot repay debts; projects that have not been approved by the state; enterprises suffering losses after being put into operation; and enterprises which are suffering losses due to ineffective management and enterprises and whose losses greatly exceed the deficit plan. We should help them follow the road of resolutely readjusting production or changing their line of production, and improving operation and management within a short period of time. On the basis of unceasingly opening up and expanding the financial resources, we should fulfill the financial quota in line with the policy and in a timely manner, in order to ensure the fulfillment or overfulfillment of the budgeted revenue task.

Second, we should further strengthen the macrocontrol of expenditure, readjust and improve the structure of financial investment, and manage and use funds in a restricted but highly effective manner. In line with the general demand of basically balancing the overall social supply and demands, we should resolutely persist in giving effective macrocontrol over the scope of the province's budgeted expenditure, and ensure that money is spent in a frugal manner and is used in a rational manner. Therefore, this year we should actually control the expenses in the budgetary capital construction projects under the scale fixed by the plan of this year, and should reduce administrative expenses with focus on controlling the institutional purchases. In the course of implementing the budget, we should also appropriately readjust the investment structure, and give prominence to key projects in line with the need of the development of the objective situation and with the possibility of the increase in financial resources. In addition to ensuring that operating expenses in science, technology, and education services will increase by a margin larger than the regular revenues, we should appropriately increase the funds for developing agricultural production, promoting the progress of industrial technologies, and improving the commodity circulation facilities in order to create conditions for the stable development of the province's economy and to lay a solid foundation for increasing revenues. We should persistently show

...to obtain the results required. The financial appropriations involve the management of money, improve the management systems, enhance the responsibility of the units which obtain the income allocations, and strive to obtain still greater results from the limited financial resources and make still greater use of the force of labor.

We should also strengthen the management of extra-budgetary funds, which should be regarded as an important measure for controlling the scale of investment in fixed assets and for preventing the dislocation of the consumption funds. We should further improve or correct the management methods for agricultural, industrial, and commercial funds, and on the development of the production, construction, and various other projects covered by the state plan.

Next, we should concentrate our efforts on reforms in the fields of finance and taxation, further improve the distribution policies, and mobilize the initiative of all levels in increasing revenues and reducing expenditures, and in increasing the savings on income. This is a major measure for effecting a fundamental improvement in the province's financial situation. In line with the demand for consolidation, digestion, supplementing, and improvement, this year the province's financial and tax reform should be aimed at the work of consolidating, digesting, and filling the gaps. The province should persist in the attitude of "defining differences, standardizing taxes, examining and approving

the expenditures, and the authorities at different levels each fixing their responsibilities," in order to continue to mobilize the initiative of all levels in improving the management. In terms of the relationship between the financial and the state-owned enterprises, we should continue to improve the management of state-owned enterprises, and should take measures for delivery of profits.

Second, regarding state-owned enterprises, we should introduce the method of management of the state-owned enterprises, in order to further strengthen the management of enterprises. In terms of the industrial and commercial tax

reform, we should continue to study and formulate detailed rules and regulations, and should continue to improve the management, for implementing these

measures. In line with the reform of the enterprises which will soon be promulgated, we should continue to improve the management of the enterprises.

Third, regarding the building of the state-owned enterprises, we should further amplify and perfect the management of the enterprises, should strengthen the ability to manage well various forms of enterprises and enterprises of different levels and townships, and should continue to improve the management of the enterprises and the rural tax revenue. In terms of the management of the enterprises, the method of being responsible for the enterprises should be continued, and we should create conditions for solving

the problems of the enterprises in the management accounting and the fixed quota

management in order to fundamentally change the situation of "eating from a big bowl" in the distribution of enterprises. In improving the method

of being responsible for the enterprises, the enterprises of industrial and pastoral enterprises, we should continue to have the enterprises of industrial enterprises assigned to each

of the enterprises, and the enterprises of the level assumes sole responsibility for the enterprises. At the same time, we should continue to promote and implement the policy

of developing the enterprises of the enterprises to develop lateral economic cooperation with the enterprises and departments, and should support enterprises

of the enterprises, and should continue to develop the enterprises of the enterprises.

fourth, we should organize and mobilize the forces in all fields and take effective and practical steps to support the counties which accept subsidies to raise their level of self-sufficiency in finance. This is the key to intensifying the economic vitality of all counties. We should regard the work of supporting the counties which accept subsidies to develop production, cultivate financial sources, increase financial revenues, and raise the level of self-sufficiency as a strategic measure for invigorating the finance and economy of various counties and cities. The key to gradually raising the level of financial self-sufficiency of those counties which consume subsidies lies in the hard work of these counties themselves. But the supports from other places are necessary. In line with the plans of the provincial CPC Committee and government, the 32 departments and bureaus under the jurisdiction of the province have comprehensively and deeply carried out the work of taking responsibility for counties. We should make overall planning and proper arrangement for the utilization of funds for the development and production of counties that are entitled to receive support and subsidies, and emphasize practical results while carrying out the selected projects. We have broad prospects for supporting the economic development of these counties. In addition to giving them necessary funds and material support, we should improve their operation and management, and through strengthening economic accounting, importing advanced technology and developing lateral economic cooperation, help them raise economic results, increase financial revenue, intensify their ability to expand production, and enable them to keep pace with the improvements in the province's financial and economic situations within a short period of time.

Fifth, we should continue to strengthen financial supervision, strictly observe financial and economic discipline, and realistically check malpractices in the economic sphere. This is an important guarantee for preventing "the serious cases in tax evasion," and fulfilling the budgeted revenue and expenditure tasks as well as an important condition for the sound development in the economic structural reform and the fundamental improvements in the party style and social conduct. Judging from a host of problems exposed in the province's general surveys on taxation, prices and foreign exchange, violations of financial and economic disciplines are still very serious, which have not only disrupted economic order, affected financial revenue, and obstructed reform and the practice of opening to the outside world and invigorating the economy, but have also corrupted party style and social habits to varying degrees, and harmed the prestige of the party and the government and other fields. This has indirectly told us that we should never slacken our efforts in financial supervision and management under the new situation of reform, opening to the outside world, and invigorating the economy. While strengthening socialist material civilization, we should also firmly grasp the spiritual civilization.

Since last winter and this spring, the central authorities and the provincial CPC Committee have adopted a series of important measures to rectify party style, stressing that we should strictly observe the financial and economic discipline and consider such work as an important task in improving party style. Such a move has provided favorable conditions for strengthening financial supervision and strictly observing financial and economic discipline.

It is necessary to rapidly restore the operation of the financial supervisor organs of the financial departments at all levels, to closely coordinate with the comprehensive financial and economic departments such as the taxation, auditing, banking, industrial and commercial, price and foreign exchange departments, and to jointly deal with various problems concerning the violation of financial and economic discipline. In line with the directives of the State Council on persistently carrying out general surveys on taxation, finance and prices, we should find and appropriate opportunity in the second half of this year to carry out a more intensive province-wide general survey. Through this survey, we will mete out stricter laws and disciplines to check malpractices and to guarantee the smooth progress of the economic structural reform and the various production and construction undertakings.

Deputies:

The implementation of the province's financial budget in the first 4 months of this year was not good enough, which will bring more difficulties to the work of the following few months. Therefore, it will be very arduous for us to fulfill the task of balancing this year's budget. However, we have great potential and many favorable conditions for increasing revenue and economizing on expenditure. We should firmly rely on the efforts of the people of various nationalities throughout the province, work hard and build the country thriftily, work conscientiously and realistically with an attitude of the foolish old man who removed the mountain, and strive to successfully fulfill this year's budget tasks.

/8918

CSO: 4006/1134



ENERGY

RURAL POWER DEVELOPS QUICKLY IN GUANGXI

HK240727 Nanning Guangxi Regional Service in Mandarin 1000 GMT 22 Jun 86

[Excerpts] New progress has been made in electric power management throughout the region.

Rural electric power in our region has developed relatively quickly. By the end of last year, rural areas throughout the region had 49,000 km of high-tension and 75,000 km of low-tension transmission lines. All counties and cities, 90 percent of the townships, and 60 percent of the villages have electricity. The amount of electricity used in industrial and agricultural production at and below the county level throughout the region last year was 2.2 billion kilowatt-hours, which accounted for about one-fourth of the total amount of electricity used in the whole region.

With the development of electric power work, the rural electricity supply departments in our region have done really well in grasping the readjustment and improvement of electric cables and have worked hard to reduce waste in electricity consumption.

The rural electricity supply departments in our region have also put safe electricity consumption in first position and constantly carry out activities to ensure safe electricity consumption without accidents for 100-day periods in the rural areas.

/12232

CSO: 4013/140

ENERGY

MORE RAIL CAPACITY BEING ADDED TO EASE SHIPPING BOTTLENECKS

HK240555 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1211 GMT 23 Jun 86

[Reprot: "China Will Build 16,000 Kilometers of Railroads to Improve Coal Transportation"]

[Text] Hong Kong, 23 June (ZHONGGUO TONGXUE SHE)--According to a report from Beijing, during the Seventh 5-Year Plan period, China will rebuild some 16,000 km of main road in the northeast and coastal areas, to increase the railroad coal transportation capability to 650 million tons by 1990, an increase of 26 percent over 1985.

Both the industrial and agricultural output value and the railroad freight transportation volume of China's northeast and east coast areas account for about 70 percent of the country's total. Current inadequate railroad transportation services are chiefly in these main railroad lines.

"ZHONGGUO MEITAN BOA" quoted an official of the Ministry of Coal Industry as saying that in the next 5 years, China will principally improve railroad coal transportation in Shanxi, eastern Heilongjiang, and the southwest area, and will improve the transportation of three railroad lines, namely, the north, middle, and south lines, to transport Shanxi coal to other provinces and areas so that the annual transportation volume of coal from Shanxi will reach over 200 million tons by 1990, an increase of 67 percent over 1985. China will also build three multiple tracks and a new railroad line in eastern Heilongjiang to help transport coal produced by large coal mines in Jixi and Qitaihe to other provinces and areas. In addition, China will start the electrification project of the Zhenzhou-Wuhan railroad this year, and the electrification project of the Zhenzhou-Baoji railroad will also be completed, section by section, before 1988.

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CSO: 4013/140

## FOREIGN TRADE AND INVESTMENT

### CURRENCY REFORM IMPLICATIONS FOR FOREIGN TRADE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 9 Jun 86 p 14

[Article by Peter Odrich, Hong Kong, early June 1986: "China Expects Currency Reform? Hong Kong Counts on It"]

[Text] A year ago Hong Kong was in a state of euphoria over the trade with China. In the meantime this enthusiasm has completely evaporated. In its stead the British crown colony has been seized by deep pessimism with respect to trade with the People's Republic of China. Many reasons can be heard. In the foreground is Peking's lack of foreign exchange, which has led to a sharp curtailment in the allocation of foreign exchange for import projects. Nevertheless, the lack of foreign exchange is not the only thing that alarms those in Hong Kong who are interested in trade with China. Of special concern is the fact that Japan did remarkably well in its trade with China. Hong Kong has been analyzing the reasons carefully again and again. On the one hand, China is intrigued by Japan's technology. The colony cannot offer anything comparable in most areas. On the other hand, according to observations by Hong Kong Chinese, Japanese companies have become experts at dealing with an increasingly corrupt bureaucracy in the People's Republic. Finally, Japan is one of the major importers of Chinese raw materials, especially coal and petroleum, and, in view of today's oversupply in these areas, Japan can put considerable pressure on Peking. As a consequence, Hong Kong and representatives of European and U.S. companies operating in Hong Kong are currently experiencing very unpleasant conditions when it comes to conducting business with China.

#### Black Exports

This unpleasant development does not only apply to shipments to the People's Republic. Even the purchase of Chinese goods and their sale on markets in the entire Western world is becoming more and more difficult for Hong Kong's economy. Hong Kong interprets the unexpectedly rapid increase in export restrictions as a part of a more comprehensive strategy by Peking, which might eventually lead to a radical currency reform. With this in mind, local companies in the colony are pointing to several aspects. First of all, the Chinese leadership must take into consideration the fact that more products will have to be available for the rapidly growing domestic market. Since production cannot be expanded fast enough, they have no other choice but to

limit exports for the time being. Of course, there is a drawback. Instead of improving the foreign-exchange situation, it will make the matter worse for some time to come. Peking has another objective with these import restrictions. It wants to curtail the so-called parallel export. As much as is still possible today, exports are again to be channeled through state foreign trade companies. For some time, production companies in China had the option of concluding their own export deals.

Apparently, independent export agreements made by Chinese manufacturers brought in far less foreign exchange than had been anticipated at the outset. It is a consensus of opinions that are expressed in Hong Kong reflecting, above all, the black-market export to China. Because there is no way that the proceeds can be transferred directly, they have been used primarily to buy goods in the People's Republic. As a consequence, foreign trade developed more and more independently, eluding the influence of the economic planners in the capital. Now this development is to be reversed. Furthermore, there is a general feeling in Hong Kong that Peking wants to limit its shipments at the present time because it does not want to be at a disadvantage when a currency reform is introduced. It wants to avoid a drain of goods of real value which could be sold for hard currencies.

#### Several Goals

According to opinions expressed in Hong Kong, the expected currency reform is to have several goals. First of all, China itself realizes that it cannot avoid a substantial devaluation. Second, parallel currencies which are still valid today are to be eliminated. Third, the extraordinary growth in purchasing power which has occurred of late on the domestic front is to be siphoned off or eliminated through some kind of a currency conversion. Finally, it has been suggested that a comprehensive currency reform will create the necessary prerequisites for China to assume an active role within the framework of the World Bank as well as with respect to the General Agreement on Tariffs and Trade (GATT). In the long run it might also lead to a freely convertible Chinese currency. With this in mind, there is apparently nothing that frightens the Chinese more than imported inflation, which is probably a primary reason why the movement of goods to and from China is monitored more and more closely and simultaneously undergoing greater restrictions. According to observations by smaller Hong Kong firms who are actively involved in trade with China, one of the difficulties which the economic planners in Peking are facing is the fact that their own population is clearly showing a preference for foreign products over domestic goods, especially in technical areas. It is leading to strong distortions and causing an increase in illegal imports.

#### Joint Ventures Affected

In addition to the trade difficulties, it has been noticed in Hong Kong that joint ventures in the People's Republic are facing more and more complications when the joint ventures which are to be established are expected to produce in China proper. The Chinese leadership is becoming more and more hesitant in providing foreign exchange for such endeavors, and it is almost impossible to establish credit for domestic credit needs. There is only one way out. The foreign joint-venture partner must provide all the necessary funds himself and he must also be willing later on to buy a considerable share of the manufactured goods on a permanent basis.

FOREIGN TRADE AND INVESTMENT

BRIEFS

FUJIAN COMPANY BUYS U.S. FIRM--Fujian Enterprises (Holdings) Co Ltd, the province's Hong Kong agent, is expanding its overseas network to strengthen trade ties. Its vice-president and managing director, Mr Chen Zhongqun, said the company has recently acquired a Los Angeles trading firm which will become its US subsidiary. Mr Chen would not disclose the price of the acquisition. He said Fujian is keen to tap the potentially huge American market. Hong Kong at present is by far Fujian's biggest market, taking about half of the province's US\$400 million worth of exports last year. The province is also studying ways to penetrate the Southeast Asia and Middle East markets, Mr Chen said. One possibility is for the province to set up a trading office in Singapore to act as its marketing vehicle in the region. Approval for the move would be needed from both the Singapore and Chinese authorities, and it is understood Fujian is already seeking permission from Beijing. Singapore, with a substantial Fujianese population, is seen as a natural place for the province to turn for funds and technology. Fujian enterprises will give equal attention to the Hong Kong market and continue to look for investment opportunities in the territory. So far, the company has set up one toy factory and one electronics factory in Ngau Tau Kok. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 27 Jun 86 p 2 HK] /12766

CSO: 4020/365



SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN USES MORE FOREIGN CAPITAL--Beijing, June 30 (XINHUA)--The Shenzhen special economic zone spent \$114.79 million in the first 5 months of this year, a 7.5 percent increase over the same period last year, the overseas edition of the "PEOPLE'S DAILY" reported today. Shenzhen, in south China's Guangdong Province, signed 144 contracts in the first 5 months, absorbing more than \$324 million, the paper said. Contracts signed include the establishment of 54 Sino-foreign joint ventures, 29 cooperative enterprises and 4 enterprises with exclusive foreign funds. About half of the projects with foreign investment are industrial enterprises, the paper noted. [Text] [Beijing XINHUA in English 1219 GMT 30 Jun 86 OW]/12766

CSO: 4020/365

## POPULATION

### HEILONGJIANG RIBAO ARTICLE ON POPULATION DEVELOPMENT

SK270115 Harbin HEILONGJIANG RIBAO in Chinese 14 Jun 86 p 3

["Part I" of the article by Hao Shouzhong [6787 1343 1813], Song Jie [1345 2638], Yu Guocheng [0060 2654 0701], Feng Quanxing [7458 0356 5281], and Xu Xiaosong [1776 2556 2646]: "Study of the Strategy for the Population Development of Our Province"]

[Text] 1. The decision on the strategic goals of Heilongjiang's population.

One of the differences between the production of population and that of materials lies in the inheritability of population. The past situation in population (the quantity, quality, composition and density of population) constitutes the foundation for nowadays population development, and the present situation in population again constitutes the foundation for future population development. Therefore, we should understand the existing state of population if we are to decide on the goals of future population development. Then, how is the existing state of population of our province?

1) The population growth rate is high, and the base figure becomes increasingly larger. Our province's population grew from 10.14 million in 1949 to 32.81 million at the end of 1982. The growth rate in the 33 years was 240 percent (including the mechanical growth), averaging an annual increase of 3.62 percent. The province's population ranked 20th in the country in 1985, and the place rose to 15th in 1982. Such a rapid growth rate and growth quantity were rare in the country, and also constituted a prominent characteristic of our province's population development.

2) The age structure of the population is young, with children and young people occupying a larger proportion and old people a smaller proportion. Before the 1970's, the high birth rate, low mortality rate, and longer life span led to a young age structure of population. Young people aged below 30 accounts for 68.54 percent of the total population of our province, and the median of the average age is 21.4 years. Such a young population structure means that the number of the people who have entered or will soon enter the marriage and child-bearing age is very large, and the future population growth will be precipitous.

3) The natural population growth is high. According to the statistical data compiled since 1954, during the 29-year period, 5 years saw a birth rate of more

than 40 per thousand, and a natural population growth of more than 30 per thousand. On an average, the annual birth rate was 29.9 per thousand during the 29 years, mortality rate 7.6 per thousand, and natural growth rate 22.3 per thousand. In 1982, the natural population growth declined to 14.8 per thousand, the mortality to 4.95 per thousand, the lowest in the country, and the average life span rose to 68.17 years. Under such circumstances, it is very difficult to rapidly reduce the population growth rate.

4) The urban population occupies a larger proportion than before. According to the 1982 census, the population of the 12 cities and 102 towns throughout the province increased by 65.4 percent over 1964. The proportion of the population in cities and towns in the total population of the province rose from 39.8 percent in 1964 to 40.5 percent, much higher than the natural average of 20.6 percent. The ratio of our province's urban population to rural population is approximately 4 to 6. Although the ratio of the urban population is not high as compared with that of developed countries, it is the same as the average urban population ratio of the world in 1980. The larger urban population and its precipitous rise have led to many problems.

5) The education level of the population has improved greatly, but still fails to suit the needs in the modernization drive. According to the census, the province's educated population was 22.14 million in 1982, accounting for 76.9 percent of the population aged at and above 6, and 67.8 percent of the total population of the province. The latter percentage was 26.5 percent higher than the 1964 percentage of 41.3 percent, and was higher than the national percentage of educated population of 60.1 percent. In per 10,000 people, those with an education of university level totaled 69, higher than the national average of 59.9, and ranking eighth in the country. In per 10,000 people, those with an education of senior middle school level totaled 938, higher than the national average of 662.2, and ranking fifth. This showed that our province had achieved great development in education. We should note, however, that our province's education, generally speaking, is rather backward, and lags far behind the needs in the four modernizations. The first indication is that illiterate and semi-illiterate people amount to 16.1 percent of the province's total population, and the second is that in every 100,000 people, only 690 have an education of university level, while the number can be several thousand or even more than 10 thousand in developed countries.

The above-mentioned characteristics show that our province has achieved marked results in family planning while indicating a precipitous population growth in the future. Although the women of child-bearing age in our province average 2.08 birth, unplanned second and multiple birth rates are still rather high because the base number of population is large, the age structure of population is young, and, according to a sample survey on the population situation in 1983, 67.22 percent of the women of child-bearing age had one birth, 18.64 percent had two births, 9.24 percent had three births, and 2.6 percent had four births--in other words, 14.1 percent had multiple births. If the province's population grows according to the 1981 natural growth rate of 14.8 per thousand (the figure of the third census), it will easily reach 42.77 million by the year 2000, which is greatly different from the 39.7 million defined by the provincial government.

The average per-capita share of land, natural resources, and grain is lower than the world average. Calculated according to the date of the 1982 census, the population per square kilometer of land (including the Songling area of Da Hinggan Ling) is 69 in our province, 38 fewer than the national average of 107, and ranking 23d in the country. However, we must not think that our province is sparsely populated. Located in high and cold areas, our province has short sunshine and frost-free periods, and the land fertility is rather poor. We should also note that because the growth rate of our province's agricultural production was lower than the national average over the 3 decades and more after the founding of the PRC, and the population growth was higher than the national average, the growth of agricultural population is higher than that of grain and animal husbandry production. Our province's population living on marketable grain has increased to 40 percent of the total, hence the inordinately large amount of grain marketed within the province, and a decline of that supplied to outside the province. Therefore, our strong point in natural resources is weakening. We should pay great attention to such a situation. As mentioned above, the province's population will continue to increase over the next 22 years by an average of 595,000 per year. To meet the consumption of the increased population, an annual increase of nearly 300 million jin of grain should be guaranteed. For this reason, land and natural resources will correspondingly become all the more deficient. An inordinately rapid population growth is bound to have an adverse influence on the protection of natural resources, and the restoration of ecological balance.

An inordinately rapid population growth impedes the improvement of the population quality. Over the past 3 decades and more, the province's population has shown a fairly great degree of improvement in cultural, scientific and technological, and other fields and it is still incompatible with the development of productive forces. There is no doubt that education should be greatly developed in the future. However, the development of education is restricted by our financial capacity. Therefore, in a situation in which education must be developed but the financial resources are limited, we should select a way to control population growth to make our limited financial resources play a greater role, and to raise the education level to a fairly great extent of the population who should be educated.

An inordinately rapid population growth brings more difficulties to employment. The employed population of our province has increased fairly rapidly since the founding of the PRC. It increased from 3.115 million immediately following the founding of the country to 13.36 million in 1982, when the census was conducted, showing a 3.28 factor increase and averaging an annual increase of 2.26 percent. The employed population amounts to 40.9 percent of the total population of the province, but there are still many youths waiting for jobs, and 600,000 to 800,000 people will reach employment age every year over the next 2 decades. Even the tertiary industry, on which the people place great hope, will have difficulty offering job opportunities to the increased number of laborers each year without a certain amount of funds. For this reason, in order to solve employment problems, we must also consider control over the population growth.

The four modernizations of our country should be accomplished based on raising productivity and increasing economic benefits. The present operational and

managerial levels of our province's enterprises are not high. In some enterprises, in particular, the improvement of productivity is affected and, in some cases, the productivity shows a decline because they have placed a great number of youths waiting for jobs. According to statistics, in 1981, the per-capita productivity of the industrial enterprises and construction units throughout the province showed a decline of 1,797 yuan, or 16.2 percent, from 1966, and a decline of 24 yuan, or 0.25 percent, from 1977. Such a situation must not continue. For this reason, population growth control is a must to remove some of the strain from employment and to rapidly improve productivity.

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CSO: 4006/1140



TAIWAN

TRADE, TARIFF TALKS WITH U.S. CONCLUDED

OW200525 Taipei CNA in English 0334 GMT 20 Jun 86

[Text] Taipei, June 19 (CNA): The Republic of China has moved another step towards the further opening of its market to foreign products with the just-concluded ROC-USA talks on the Generalized System of Preferences [GSP] June 16-18.

The Board of Foreign Trade [BOFT] under the Ministry of Economic Affairs [MOEA] said facing the ever-increasing pressures of competition from foreign manufacturers, domestic businessmen would lose the domestic market should they not strive hard to increase their productivity and the added value of their products.

The ROC Government agreed in the ROC-USA GSP talks to remove the quota restrictions imposed on imported foreign motion pictures and cancel the NT \$200,000 surcharge imposed on each of them starting July 1, 1986. The government has also agreed to lower the entertainment tax on foreign movies shown here.

As to the major topic in the Taipei talks, issues concerning the imports of American cigarettes and alcoholic drinks, a BOFT spokesman said the U.S. delegates to the talks finally gained a better understanding of the tobacco and wine monopoly system being implemented here after the ROC delegation made a detailed explanation.

The United States had the wrong impression before the talks, the BOFT spokesman explained, believing that American cigarettes and alcohol it exports to the ROC have to bear import tariffs, commodity taxes and other fees besides a 185 percent monopoly profit imposed on their prices upon their entry here. This was the basis of the U.S. belief that American tobacco and alcohol could not compete with domestic products.

He said the ROC delegates explained in the GSP talks that except for the 185 percent monopoly profit which local tobacco and alcohol products also have to shoulder, no other taxes or charges will be imposed on imported American cigarettes and alcoholic drinks and therefore, no discrimination is set against the U.S. products.

Furthermore, the BOFT official said, the ROC delegates told the U.S. delegation that the 50 percent import tariff cuts they asked for refrigerators, air-conditioners, oranges and 68 other categories of American products are too much

a concession as far as the ROC is concerned. Therefore, the BOFT has to negotiate with the Ministry of Finance, the Industrial Development Bureau, the Council of Agriculture and other government agencies before presenting an appropriate counterproposal that may be acceptable to both sides.

In the Taipei talks, he noted, the ROC delegates presented a list of 36 categories of products which the ROC hopes will not be deprived of the U.S. GSP treatment. Besides, the ROC also asked that the United States restore GSP treatment to 12 categories of ROC-made products which had already lost the preferential treatment.

The United States is scheduled to implement the "competition-required restrictions" starting in 1987, lowering the present standards of 50 percent market share and \$69 million in import value down to a 25 percent market share and \$25 million in import value. All categories of foreign products exported to the United States that exceed the new standards will be automatically deprived of the GSP treatment.

The ROC delegation presented a list of categories of products in the GSP talks, asking that they be exempted from the new restrictions, and the U.S. delegates promised that they will consider the request prudently, the BOFT spokesman said.

The BOFT, however, said it is inevitable that the United States will eventually graduate the ROC from the list of GSP treatment beneficiaries since this nation has become one of the major trading countries in the world, with its annual foreign trade exceeding \$50 billion and its having enjoyed a \$10 billion trade surplus with the United States in 1985.

The MOEA agency noted that the U.S. authorities are paying close attention to the strong competitiveness of the ROC-made products because the GSP treatment is designated as a vehicle of economic aid provided to economically backward nations. Therefore, it said domestic manufacturers should be alert and no longer rely on the U.S. GSP treatment as their edge in exploiting the U.S. market.

In addition, according to the BOFT, what domestic businessmen should bear in mind now is that liberalization and internationalization of foreign trade are the set government policy, not a result of U.S. protectionist pressure. Businessmen themselves should strive harder to increase their productivity and the added value of their products so as to meet the challenge of strongly competitive foreign products in the foreseeable future.

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CSG: 4020/369

TAIWAN

BRIEFS

**FOREIGN EXCHANGE RESERVES HIT \$30 BILLION**--Taipei, June 20 (AFP)--Taiwan's foreign exchange reserves have hit a record of more than \$30 billion despite efforts to shrink them, the country's central bank governor said Friday. The figure is the third highest in the world after the reserves held by the United States and West Germany. It is the equivalent of 16 months of imports here, analysts said. Chang Chi-cheng, governor of the Central Bank of China, said Friday that Taiwan had more than \$30 billion in foreign exchange as of Thursday. The reserves stood at \$18.1 billion a year ago and \$22.2 billion at the end of 1985. Mr Chang said the authorities were designing ways to encourage Taiwan citizens to invest abroad and cut into the mounting foreign exchange reserves which could fuel inflation and other problems. The government has already moved to relax foreign exchange controls. Individuals are now permitted to invest in overseas money markets and are allowed to buy more foreign exchange when traveling abroad. [Text] [Hong Kong AFP in English 0914 GMT 20 Jun 86 HK]/12766

**PLAN TO CUT TRADE SURPLUS WITH U.S.**--Taipei, June 22 (CNA)--After a thorough review of the existing trade problems between the Republic of China and the United States, the Council for Economic Planning and Development [CEPD] has mapped out four strategies to reduce the nation's huge trade surplus with the United States. The CEPD said Sunday that this nation's annual trade surplus with the United States has soared from \$360 million in 1974 to \$12.2 billion in 1985 mainly because of the rapid growth of exports to the United States in recent years, it said. The CEPD suggested that the government adopt the following strategies to reduce the nation's surplus with the United States: 1) Increase imports of industrial raw materials, machinery equipment and high technologies from the United States; 2) Ask the United States to loosen control over exports of crude oil and defense weapons to this nation; 3) Cooperate with the United States in developing other markets in the world; and 4) Reduce generally tariff and non-tariff barriers in trade between the two nations. [Text] [Taipei CNA in English 0231 GMT 23 Jun 86 OW]/12766

**STATE-RUN ENTERPRISES RESERVES INCREASE**--Taipei, June 25 (CNA)--The revenues turned over to the national treasury by the 24 state-run enterprises in fiscal 1985 amounted to NT \$61.1 billion (about \$1.6 billion), which was 16.52 percent of the government's total revenues that year. The figure indicates that state-run enterprises have become a very important source of the government's incomes, the Ministry of Finance said Wednesday. In fiscal 1981, only 7.81 percent of

the government's revenues were from the state-run enterprises, the ministry said. In order to improve the domestic investment environment, the finance ministry has gradually reduced the income tax rates and import tariffs since 10 years ago. As a result, the growth rate for the government's tax revenues has declined from 21.91 percent in fiscal 1976 to 3.55 percent in fiscal 1985, it said. According to a preliminary estimate, the government's tax revenues in fiscal 1986, which will end in June, will show a negative growth of 6.39 percent from the year before, while the government's revenues from the state-run enterprises will pile up 15.83 percent of its total incomes, the ministry said. By the end of fiscal 1985, the government's total investments in the state-run enterprises had accumulated to NT \$215.7 billion. According to statistics, the government made 27.53 percent of its total investments in the Taiwan Power Company, 21.24 percent in China Steel Corporation and 10.75 percent in Chinese Petroleum Corporation, the ministry said. [Text] [Taipei CNA in English 0240 GMT 26 Jun 86 OW]/12766

STAND ON TRADE ISSUES TO BE UPHELD--Taipei, June 25 (CNA)--On the issues of opening the nation's market to American cigarettes and alcoholic beverages, the government will absolutely not give in to pressure during the June 26-27 ROC-USA trade talks in Taipei, a leading finance official said Wednesday. The ROC and U.S. delegates have reached some common ground on the issue, but no final agreement has been reached, Vice Minister of Finance Ronald H.C. Ho said. He made the remarks while answering an interpellation from Legislator Liang Hsu Chun-chu at a meeting of the Legislative Yuan's Budget Screening Committee. The government has adopted a careful and cautious attitude in the talks and considers the issue in light of the need to balance ROC-U.S. trade while at the same time protecting the interest of farmers and the nation as a whole, Ho said. Moreover, he said, the government will not change its stand and principles without good reason. On the question of European and other countries asking to enjoy the same right as the United States to export cigarettes and alcoholic beverages to the ROC, Ho said the government has not agreed to allow such imports from other countries. [Text] [Taipei CNA in English 0236 GMT 26 Jun 86 OW]/12766

U.S.-TAIWAN TRADE TALKS--Taipei, June 20 (CNA)--A Taipei-based newspaper has expressed its hope that American negotiators in the ROC-USA trade consultations will understand why the nation has to maintain a monopoly system for sales of cigarettes and alcoholic drinks, and fully cooperate with their Chinese counterparts based on the principle of mutual trust in order to arrive at an agreement on imports of American products as early as possible. The CENTRAL DAILY NEWS, in an editorial Friday, said that it is praiseworthy for the nation's trade officials to convince the United States to accept the Taiwan Tobacco and Wine Monopoly Bureau's functions and the calculation of prices of American cigarettes and alcoholic beverages during the 3-day meeting which ended June 19. The editorial said that sales of beer, wine, liquor and cigarettes are a very important source of the ROC Government revenues, and therefore, opening up the market here for similar products from other countries will have tremendous impact on the government's revenues, although it is in line with the government's policy on economic liberalization and internationalization. [Text] [Taipei CNA in English 1452 GMT 20 Jun 86 OW]/12766

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